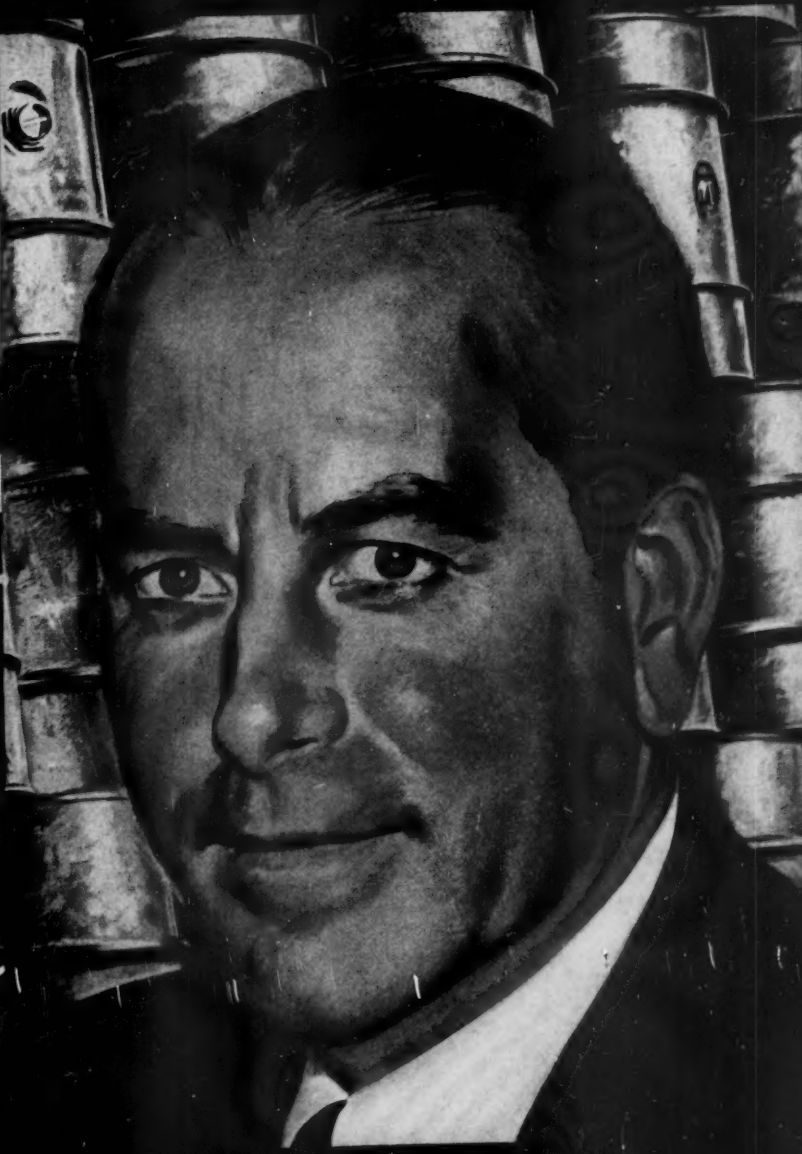


BUSINESS WEEK

JULY 31, 1948



WEEK
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Richard S. Rheem: From drum building to drum beating (page 6)

BUSINESS
WEEK
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For Americans only

Every decent American of course wants to share, to prevent hunger and want anywhere. Therefore this is addressed not to recipients of the Marshall or European Recovery Plan, but to Americans only.

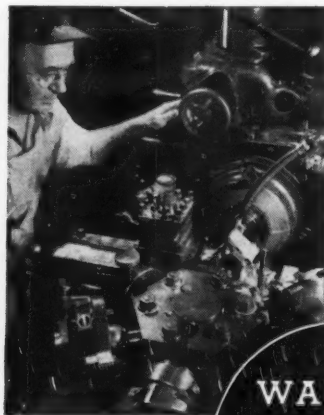
★ One of the most significant facts about the European Recovery Plan is never mentioned. It is that this Plan, (without which the entire civilized world might very well collapse and be crushed into slavery)—this Plan would not be possible if it were not for capitalism.

It is only America that can even hope to do the job—because of modern machines which enable our workmen, on farm and in factory, to produce more.

We have the modern machines because under capitalism Americans have been able to save money and invest it in more and more modern tools, hoping to share in the increased production they made possible.

And it is that increased production which is pouring out now to save millions of lives and to save civilization from ruin.

Isn't that proof and success enough for any system?



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&
SWASEY
Machine Tools
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For Permissible Underground
Equipment

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Here is the result of Reliance engineering applied to the problem of protecting motors that operate in corrosive atmospheres. Frame and fan covers, fan, conduit box and end

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Reliance Explosion-Proof Motors. Explosion-Proof construction is also available in this new line of motors. Built to the rigid explosion-proof standards set by Underwriters and Bureau of Mines, these types round out a selection of Reliance *Precision-Built* Motors which offers you the *right* motor for any application. For further information on Explosion-Proof Motors write for Bulletin C-124.

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"Motor-Drive is More Than Power"



These Battery Trucks MAKE Money!

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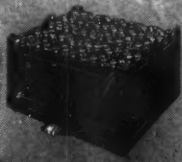
These battery trucks can keep the pace 24 hours a day every day, and their power characteristics can't be beat: instant starting; quiet operation; no fumes; no power used during stops. And remember, each of their electric motors has only one basic moving part—that means trouble-free operation.

Of course, we've standardized on EDISON Nickel-Iron-Alkaline Batteries for powering them. EDISON has been the most rugged, dependable and long-lasting battery on the market for the past half-century . . . the kind we can bank on to keep our material-handling system—and our record-breaking production schedule—right up to snuff!

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BUSINESS WEEK • July 31, 1948

THE FASTEST MAN WHAT EVER RAN!

(A slightly tall tale) by Mr. Friendly



A policyholder phoned to say,
"We've had an accident here today."
I said, "Hold on! I'm on my way!"

I went so fast my voice was alone
Talkin' in that telephone.

I ran right out of the coat I was in,
And I would have run out of my skin
Only human skins are hard to replace,
So I slowed down a bit, and eased up the pace.

But when I arrived I was pleased to see
He was still on the telephone talkin' to me!

This may sound *slightly* exaggerated
But it'll give you a rough idea of American
Mutual's policy of settling claims as
quickly and as *fairly* as possible!

With 73 offices from coast to coast,
we're the company that's famous for
fast, fair settlements!



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* Accident prevention based on principles of industrial engineering.

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SWEDEN

SWEDEN IS SLIGHTLY LARGER THAN CALIFORNIA.
AREA ABOUT 170,000 SQ. MILES; POPULATION
APPROXIMATELY 6,600,000.

SWEDISH MODERN--ALTHOUGH FOUNDED NEARLY 1,000 YEARS AGO, STOCKHOLM CONTAINS SOME OF THE WORLD'S **MOST MODERN ARCHITECTURE**. THE STYLE OF THESE PUBLIC BUILDINGS HAS BEEN ADOPTED BY MANY CITIES.



NOBEL PRIZE--CONCERNED OVER THE CONSEQUENCES OF HIS INVENTION OF DYNAMITE, SWEDEN'S DR. ALFRED NOBEL BEQUEATHED THE INTEREST FROM HIS ENTIRE FORTUNE AS A YEARLY AWARD TO THOSE WHO SERVE HUMANITY BEST.



IRON RICH--THE HIGH QUALITY OF SWEDISH STEEL IS DUE TO THE **EXCEPTIONAL PURITY OF THE IRON ORE** FOUND IN TREMENDOUS QUANTITIES IN THE VAST LAPLAND IRON FIELDS.



OLD BANK--THE SWEDISH RIKSBANK, FOUNDED IN 1656, IS THE **OLDEST BANKING INSTITUTION** IN EXISTENCE.



HEAVY TIMBER--MORE THAN HALF OF SWEDEN IS **COVERED BY FORESTS**, BACKBONE OF HER ECONOMIC LIFE.

By telephone, Sweden is as near as your nearest neighbor. Telephone service between Sweden and the United States was resumed April 25, 1946.

Bell System OVERSEAS Telephone Service



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THE COVER

The youthful vigor that sparks Rheem Mfg. Co. in its drive for wider markets for steel drums and water heaters is generated by Richard Scofield Rheem. His adventurous spirit, a major asset of the corporation he heads, is now focused on establishing the Rheem label in the heavy home-appliance industry.

• **How He Does It**--Dick Rheem has a granite jaw, a habit of sticking it out, and a talent for rolling with the punches that his jaw attracts. In 1928 he had the gall to ask James A. Farrell, then president of United States Steel Corp., for a 35% price reduction in steel sheets. But gall of that kind won for the San Francisco company such competitive advantages as cost-plus contracts with two big drum customers, Standard of California and Shell Oil.

Dick Rheem had already failed in business, married, and become a father when, at 21, he poured the foundations of the present corporation. Now 44 and a grandfather, he still conveys the impression of a 21-year-old eager to make his mark in business. He constantly needles his associates in picturesque language, and the gagsters among them delight in making the corporation president the butt of their luncheon-table jokes. The barracks-type banter doesn't interfere with results; the company makes about as many steel drums and pails as anybody else in the world and more water heaters and tanks than anybody else.

• **Three Hobbies**--Rheem has three hobbies: his family, his business, and his boat, in that order. The boat is a 98-ft. auxiliary schooner, the Morning Star. Last summer Rheem sailed the Star in the race from Los Angeles to Honolulu. He still takes a ribbing at the office because he failed to finish in the money.

Rheem is active in the National Assn. of Manufacturers as chairman of its western development committee.

—Complete story on Rheem Mfg. Co. starts on page 58; cover painting by Tran Mawick

BUSINESS OUTLOOK

BUSINESS WEEK

JULY 31, 1948



Business had no trouble this week looking past the special session of Congress—or even overlooking it entirely.

What lies beyond is fairly clear. Business should be good. The shape of the curve should be much like last year's—up from midsummer right through the holiday season.

Measured in physical volume, we should about duplicate 1947.

Measured in dollars, we will top it by a fairly impressive margin.

Most analysts are very cautious about forecasting beyond the end of 1948.

An ever increasing number of industries is catching up with demand. More people are drawing on savings or borrowing to buy. Prices, the high cost of living, are cutting off marginal consumption.

In short, storm warnings again are flying. Trouble shouldn't come soon—but worry about what might happen can make it happen.

Government expenditures—both military and foreign aid—more and more will govern how long a readjustment can be avoided.

Manufacturers this summer have had one trouble that hasn't come up for nearly a decade: They have had to warehouse stocks of finished goods while waiting for customers to come along.

Factory sales average out to a fairly flat line so far this year. As a result, manufacturers haven't been rushing to increase inventory of raw materials and parts.

Value of "in process" inventory likewise has expanded little.

But here's the thing to watch: Stocks of finished goods have been rising sharply. This is conspicuous in nondurables, less so in durables. The total is running double its prewar level.

These are dollar figures, of course. Price rises account for a big part of the change between 1938-39-40 and now. But not for all of it.

Manufacturers are counting on fall buying to move accumulated stocks of finished goods. The danger in the situation, if any, is that demand may fall short of their expectations.

At worst, such a disappointment could end up in an inventory crisis.

Two divergent price trends are becoming more and more pronounced:

(1) Farm products and foodstuffs are going down. This would be even more conspicuous but for the uprush in meat prices (which seems to have topped off, temporarily at least).

(2) Other prices are going up—and at a faster and faster clip.

This has not yet made much of an impression at retail. It is a little plainer at wholesale. It sticks out like a sore thumb in spot markets.

Lower prices for foods will mean a bit more money for other things.

This is something manufacturers of other consumers' goods have been looking forward to for a long while. Now that it's here, their own prices have been pushed up by rising wages and material costs.

And, while food stores will lose dollar volume, turnover won't drop. Whether competition will pare profit margins remains to be seen.

Rising industrial prices will put a new strain on government supports

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JULY 31, 1948

for farm prices, for, as the cost of the things a farmer buys goes up, the parity level rises. Thus, supports at 90% of parity will have to rise, too.

This puts an added prop under farm income. But it comes out of the taxpayer's pocket (even if the bite is temporarily deferred as a deficit).

And rising support prices will encourage farmers to turn out more and more of everything. That piles surplus onto surplus.

That can't go on forever; yet it is a basic flaw in these supports.

•
The first big test of the government's ability to head off a surplus in spite of high support prices comes in wheat.

The Dept. of Agriculture has looked at (1) this year's huge crop, and (2) less export demand. It wants 1949 acreage cut.

The preliminary goal is 71½-million acres, down 8% from 1948.

The problem now becomes very clear: Will the farmer voluntarily cut wheat plantings with the support price now at \$2.28 a bu. (Chicago) and a possibility that the floor under prices may be even higher next summer?

•
Here's a farm-production suggestion that might result in more meat:

The Dept. of Agriculture urges hog raisers, instead of selling, to hang onto enough bred sows and gilts to boost the fall pig crop 10%.

High corn prices have been discouraging farmers from carrying the sows and gilts through to farrowing time. Now Agriculture points to the prospect of cheaper corn, urges holding.

Success would mean a little less pork now, a good bit more later.

•
Way late in the season, poultry raisers looked at the lush corn crop and changed their production ideas.

Prior to June, commercial hatchery output was running more than 10% below a year ago. As corn prospects improved, demand picked up. Hatcheries turned out 7% more chicks in June than in the same month a year earlier.

•
Those who are worrying about an imminent war may be interested in this country's capacity for transporting oil.

The National Petroleum Council has measured the tanker fleets of the world. To do this, it has invented a new yardstick.

The tanker we concentrated on building in World War II was the T-2. It carried 140,000 bbl. at 14½ knots an hour. The N.P.C. takes these figures and applies them to all tankers in arriving at "T-2 equivalent."

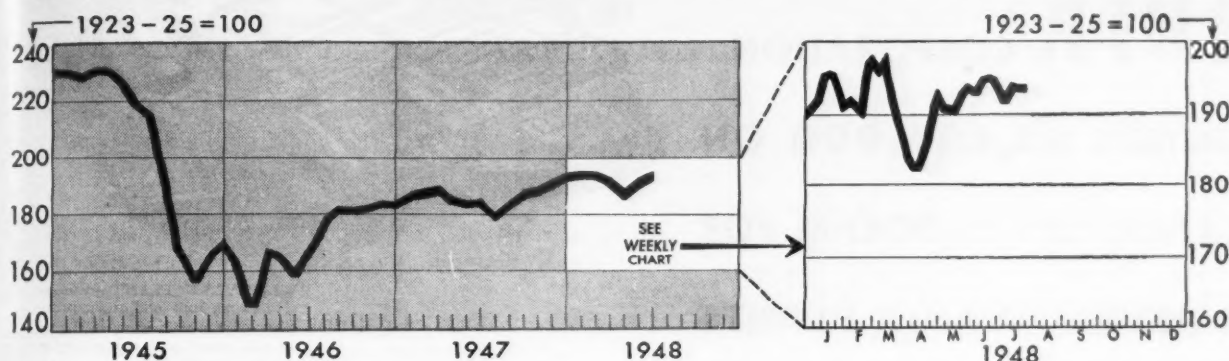
On this basis, the U. S. has 42.9% of the world's T-2 equivalent hauling capacity. The rest of America has 11.8%. The Marshall Plan countries have 42.7%. This gives the probable allies 97.4% of the world's total.

Behind the Iron Curtain is only 1.2% of tanker capacity. That proves little except that Russia can't invade us. They won't need tankers if we are trying to lick them; their transport will be overland.

•
Hopeful note on petroleum prices: Independent refineries aren't so frantic in paying premiums for available crude. National Petroleum News reports that they seem able to get all the oil they can use.

This may mean the big companies have succeeded in balking a rise. For two months or more it looked as though the cause was hopeless.

FIGURES OF THE WEEK



Business Week Index (above) *194.0 †194.0 195.1 184.1 162.2

PRODUCTION

Steel ingot operations (% of capacity).....	93.1	93.1	95.2	94.4	97.3
Production of automobiles and trucks.....	117,622	†120,741	95,027	83,867	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)...	\$24,035	\$26,063	\$25,925	\$17,443	\$19,433
Electric power output (million kilowatt-hours).....	5,342	5,197	5,257	4,730	3,130
Crude oil (daily average, 1,000 bbls.).....	5,448	5,444	5,494	5,084	3,842
Bituminous coal (daily average, 1,000 tons).....	2,037	†1,963	2,239	2,026	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	78	81	82	83	86
All other carloadings (daily average, 1,000 cars).....	70	66	69	70	52
Money in circulation (millions).....	\$27,864	\$27,959	\$27,792	\$28,145	\$9,613
Department store sales (change from same week of preceding year).....	+9%	†-5%	+21%	+8%	+17%
Business failures (Dun & Bradstreet, number).....	91	91	111	76	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	432.6	431.2	436.0	418.4	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	276.9	275.6	276.0	268.5	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	378.8	382.9	392.7	374.0	146.6
Finished steel composite (Steel, ton).....	\$86.82	\$80.27	\$80.27	\$69.14	\$56.73
Scrap steel composite (Iron Age, ton).....	\$43.16	\$41.33	\$40.66	\$40.83	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	21.500¢	21.500¢	21.500¢	21.500¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.19	\$2.21	\$2.30	\$2.32	\$0.99
Sugar (raw, delivered New York, lb.).....	5.73¢	5.70¢	5.54¢	6.19¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	34.05¢	33.63¢	36.21¢	36.79¢	13.94¢
Wool tops (New York, lb.).....	\$1.941	\$1.965	\$1.995	\$1.628	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	24.88¢	24.30¢	22.80¢	15.94¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	128.8	127.9	133.0	125.9	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.38%	3.37%	3.34%	3.17%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.82%	2.81%	2.78%	2.55%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½%	1½%	1½%	1½-1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½%	1½%	1½%	1%	1½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	46,726	46,451	46,647	47,187	††27,777
Total loans and investments, reporting member banks.....	63,175	62,858	62,872	63,513	††32,309
Commercial and agricultural loans, reporting member banks.....	14,502	14,481	14,259	11,883	††6,963
Securities loans, reporting member banks.....	1,797	1,820	1,807	2,020	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	34,879	34,656	34,869	39,154	††15,999
Other securities held, reporting member banks.....	4,318	4,300	4,215	4,165	††4,303
Excess reserves, all member banks.....	840	950	710	630	5,290
Total federal reserve credit outstanding.....	21,888	22,139	21,721	22,093	2,265

*Preliminary, week ended July 24th.

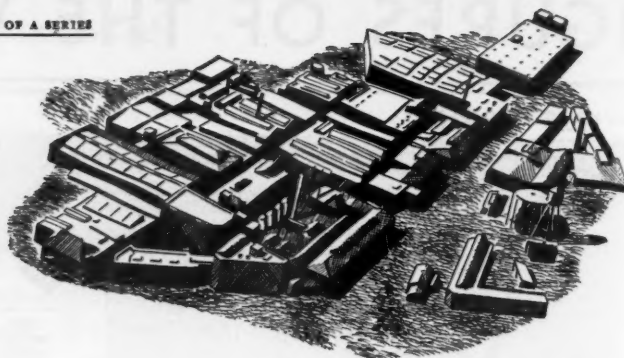
†Revised.

††Date for "Latest Week" on each series on request.
†††Estimate (B.W.—Jul.12'47,p.16).

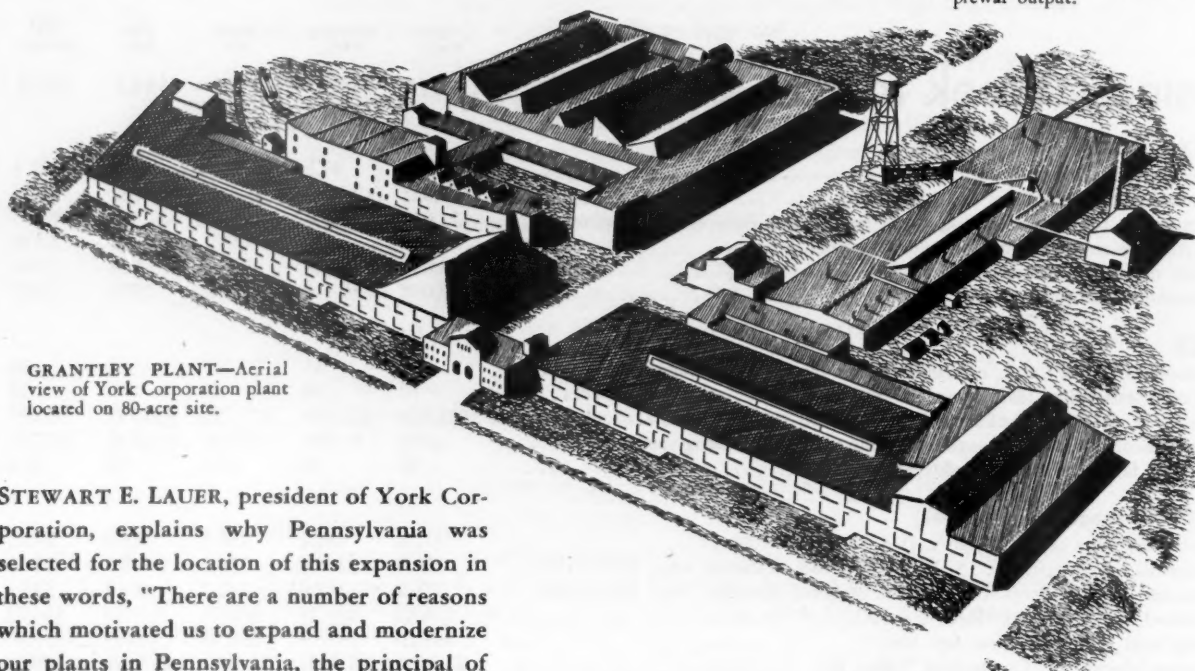
York CORPORATION

SPENDS \$6,500,000 ON EXPANSION PROGRAM FOR 2 PENNSYLVANIA PLANTS

NO. 16 OF A SERIES



WEST YORK PLANT—Extensive expansions and reorganization of manufacturing facilities at this plant will nearly triple prewar output.



GRANTLEY PLANT—Aerial view of York Corporation plant located on 80-acre site.

STEWART E. LAUER, president of York Corporation, explains why Pennsylvania was selected for the location of this expansion in these words, "There are a number of reasons which motivated us to expand and modernize our plants in Pennsylvania, the principal of which was the desire (1) to develop new products for new markets which we can reach from here; (2) to improve and lower the cost of present products for existing markets; (3) to diversify our line so that we can flatten seasonal curves."

★ ★ ★

Smart business organizations are cutting costs and increasing profits by selecting Pennsylvania locations for their plants or branches in the Heart of the World's Greatest Market. We shall be glad to show you how your company can profit by a Pennsylvania location. Write to Pennsylvania Department of Commerce, Harrisburg, Pa.

James H. Duff, Governor

Orus J. Matthews, Secretary of Commerce

The 62-year old York Corporation, a leading manufacturer of refrigeration and air conditioning equipment, is spending \$6,500,000 for an expansion and modernization program at its two plants at York, Pennsylvania, which will include new buildings, modern production equipment and facilities for new developments. When the new facilities in these two plants are operating at full capacity, employment will be approximately 5,000.

IN THE HEART OF THE WORLD'S GREATEST
MARKET WITH 69,000,000 PEOPLE WITHIN
A RADIUS OF 500 MILES.



WASHINGTON OUTLOOK



NEW DEALERS are being called in to run Truman's "Capitol Hill campaign" for the presidency. Ex-OPA boss Paul Porter is the ringmaster, and high prices are in the center ring.

John Snyder and such administration faint-hearts have been told to stay away from Congress. Porter is building his act around this Cabinet trio: Krug, Interior; Sawyer, Commerce; Brannan, Agriculture.

Also, there's Leon Keyserling to complete the New Deal troupe. He qualifies as the heavy thinker from the Economic Council.

Last November, when Truman first trotted out price control and rationing as his inflation-stoppers, the Cabinet made a sorry mess of presenting the case. Snyder, Harriman, Anderson—they made it obvious they had little stomach for the program as they tripped over each other's testimony.

This time, Truman is determined to put on a real show—for the voters. He knows price controls have no more chance now than last fall, but he is making his play on high meat prices to turn votes against the G.O.P.

That takes headlines. In Porter, Truman has a man with experience in making them. Porter was publicity director for Roosevelt's 1944 campaign.

Republican congressmen intend to ring the curtain down on Truman's campaign show just as fast as they decently can.

Some of them even wanted to adjourn this week. But Dewey telephoned from Pawling to tell the congressional leaders they ought to make a pass at looking over Truman's proposals.

Martin and Taft figure a three-week session will satisfy Dewey.

HOUSING is one thing Truman might get some action on at the special session.

Watch Sam Rayburn's drive to get the last handful of signatures on the petition to force the Taft-Ellender-Wagner bill out of committee.

The bill has passed the Senate. If it gets to the House floor, some sort of legislation will go to the White House—even if it's only revival of easy-money mortgages under FHA's Title VI.

WESTERN ACQUIESCENCE to another conference with Russia on Germany—if the Berlin block-

ade is lifted—is designed to smoke out the real Russian intentions in Berlin:

Is the Berlin crisis really a crisis over Berlin—are the Russians irrevocably determined to drive us out of the city? Or—is the Berlin crisis simply a pressure move to change the four-power arrangements on Germany?

If Molotov refuses to lift the blockade as a prelude to a meeting, Washington will conclude that the battle is over our continued presence in Berlin.

That would be the cue for taking the matter to the U. N., perhaps an ultimate resort to force (BW-Jul.24'48,p15).

But the Russians have been insisting that what they want is a conference on German problems. This week, London and Paris convinced Washington that it's worthwhile taking the Russians at their word, to see what they do.

If the Russians go through with the conference, that ends the present crisis.

Even so, the prospect of a conference is about as welcome to the State Dept. as Truman's special session is to the Republicans. State suspects Molotov would use any such meeting as an effective propaganda forum.

He could woo the Germans, for instance, with suggestions for an immediate national government, withdrawal of occupation troops, and the like—things we favor, but at our own time, and when we can do them our way.

YOUR TAXES NOW are the taxes you'll be paying for the next few years.

You can ignore the talk of a tax boost in 1949 or '50—including Truman's talk of a corporate excess-profits tax. Equally, you can ignore talk of any more cuts in your personal taxes.

You can bank on this prospect unless you want to figure on the sort of U. S.-Russian showdown that would make tax rates the least of your worries—say, a big program to arm Europe, or war.

Then, it wouldn't be taxes you would worry about. It would be price controls, allocations, labor draft—whether you could stay in business at all.

As things are going now, tax prospects hang on just two things: inflation, which will fix the intake side of the federal budget; and military spending, which will determine the outgo side.

Those are the factors that can change. The

WASHINGTON OUTLOOK (Continued)

civilian domestic budget is pretty well fixed for some years to come, at some \$20-billion. It's not likely to go up much; and about the only room to cut is in the \$5-billion-plus for payrolls and public works.

Foreign aid of about \$7-billion can hardly change much for several years.

So, military spending and inflation are left as the variables. It's hard to see any combination of them that adds up to a tax boost.

If the military is allowed to follow up on all its present projects—bigger Army, 70-group Air Force, new carriers—defense spending will be rising for the next 36 months.

It is now running at an annual rate of \$10-billion. It will hit a \$16-billion rate by next July, \$18-billion by July, 1950, and level off at about \$21-billion-\$22-billion after July, 1951.

All this means that the 1949-50 budget will be about \$4-billion higher than this year's, and that the 1950-51 budget will be up another \$3-billion.

But these are not firm commitments. Let things settle down abroad, and Congress will balk at such high figures.

Inflation is a yeast that people leave out when they calculate that taxes have to go up.

At the rate people are making money today, taxes will just meet federal expenses for the next 12 months. But, of course, tomorrow people will be making more money.

The commonest guess is that income will rise over the next year at about the rate of the last two years. That means people will make about \$10-billion more in the current fiscal year than the treasury counts on.

And, since taxes take close to a third of income, that means approximately \$3-billion more federal revenue, a surplus to go into next year with.

So long as inflation lasts, it'll keep providing new revenue to cover the scheduled new spending for defense.

What about deflation? Increasing military spending in itself pushes inflation along. But in any case, you can count on this:

No administration—Dewey or Truman—is going to raise taxes when prices, wages, employment are skidding. It'll be busy thinking up ways to put money into people's pockets, not to take it out.

PROFIT RENEGOTIATION is something you can forget unless you make military planes or are a big supplier for people who do.

Under the law, almost any military contractor can be renegotiated. But Forrestal's buyers are limiting application of the law to the airplane program—for this year, anyway.

The Navy is leaving shipbuilders out, relying instead on the profit-ceiling provisions of the Vinson-Trammel act dealing with shipbuilding contracts. Also excluded are off-the-shelf suppliers, and firms dealing in housekeeping items.

Regulations due out soon will apply renegotiation to all prime and subcontractors doing more than \$100,000 worth of military aviation business a year. However, in adding up the volume of business, single contracts of less than \$1,000 won't be counted.

SLIPPING WHEAT PRICES—and prospects of even lower prices ahead—are giving the world wheat agreement a new chance for life.

Truman listed U. S. ratification as one chore for the special session of Congress. Vandenberg, who previously hadn't got around to the subject, immediately called hearings.

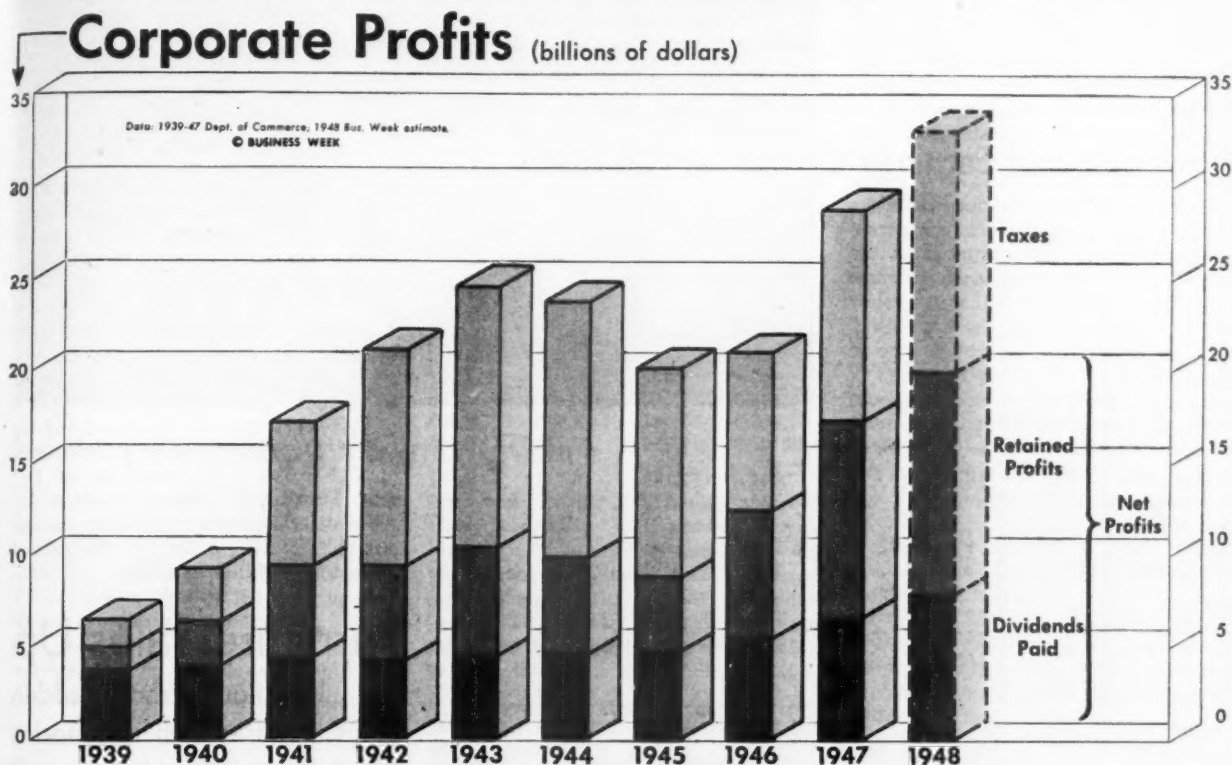
Last spring, when the wheat deal was negotiated, American farmers couldn't get interested in the idea of a guaranteed export market with a \$2-a-bushel ceiling. Now, with prices hovering around this ceiling, the price-floor feature of the pact begins to look attractive.

Under the pact, 33 nations guarantee to buy 185-million bushels of U. S. wheat a year for five years, at not more than \$2, not less than \$1.50 this year, a dime less each year thereafter.

Government already faces the prospect of getting stuck with wheat and corn this year (page 10).

Farmers—for the first time since prewar—can get about as much loan money for their crop as they can by selling it in today's market. Southwestern wheat growers, first to harvest, have put between 60% and 80% of their crop on the loan—perhaps to stay.

Congressmen are worrying over this; they're wondering whether they extended the wartime incentive guarantees a year too long. How will voters—angry over high meat prices—feel if they read in the papers around election day that the government is holding up the price of cattle feed?



Earnings: On the Way to Still Another Record

Most companies have just wound up the most profitable first half-year in history. And the second half should be just as good.

Unless something goes seriously wrong in the next five months, U. S. corporations will probably clear a cool \$20-billion net profit this year (chart). That will be about \$2.5-billion above the 1947 record. And it will be about four times 1939.

• **The Only "Ifs"**—Almost the only thing that could change this glowing prospect would be a sudden slump in business. With heavy costs and high break-even points, practically all corporations are depending on record-smashing sales to keep up their earnings. They are vulnerable to even a small drop in volume.

An excess-profits tax along the lines that President Truman recommended this week (page 15) also would put a serious crimp in net earnings. But political experts won't even bother to quote odds on that for 1948.

• **Record First Half**—A sampling of the second-quarter income statements that have come in makes it plain that most companies have just wound up the most

profitable half-year in their history (table, page 20). And most of them expect to do just as well in the second half.

With most companies it was the second quarter that turned the trick. Results for the first three months of the year were mixed (BW-May 1 '48, p21). The February break in commodity prices and the hesitation in general business during the first quarter took a painful bite out of many incomes. But after March the boom started hitting its stride again. Second-quarter earnings show the results.

• **Exception**—The steel industry provides one exception to that trend—because the coal strike caused a drop in steel output, and hence in steel profits, in the second quarter.

For instance, U. S. Steel reported this week that its net for the June quarter was \$32,586,000, down from \$33,957,000 in the March quarter. In 1947, the company netted \$29,337,000 in the second quarter. For the six months, Big Steel's earnings were \$66,-

543,000 this year, \$68,571,000 last.

By and large, the basic industries—the producers of heavy goods or hard goods—made the most impressive second-quarter profit showing. Soft-goods producers had a spottier record, although most of them showed sizable gains over 1947.

• **Pace-Setters**—Probably the most spectacular group of all was the oils. Shell Union, for instance, cleared \$26,881,000 in the second quarter; that was more than twice the \$12,449,000 it earned in the same period last year. For the six months, its profit was \$55,861,000 against \$23,325,000 in 1947.

Atlantic Refining boosted its second-quarter net from \$3,530,000 in 1947 to \$8,101,000 this year. Its half-year score was \$16,281,000 in 1948 against \$6,295,000 in 1947.

The big chemical producers also did handsomely. Union Carbide & Carbon made \$24,042,000 in the second quarter, against \$16,886,000 last year.

• **Autos and Suppliers**—The automobile industry still is riding the wave of prosperity. General Motors made \$110,282,000 in the second quarter and \$206,764,000 in the six months against \$76,-

766,000 and \$137,559,000 in the same periods of 1947. Studebaker boosted its second quarter net from \$1,932,000 in 1947 to \$3,875,000 this year.

The suppliers of the automotive industry also prospered. Eaton Mfg. Co., for instance, raised its profits from \$1,696,000 in the second quarter last year to \$2,861,000 in 1948. J. O.

Eaton, chairman of the board, told stockholders that June shipments were the highest in peacetime history and that prospects for the future were "excellent."

• **Cross-Currents**—In the textile industry, there were contrary trends at work. North American Rayon showed a drop from last year's level. But Pacific Mills

rang up an increase from \$2,073,000 in the second quarter of 1947 to \$2,692,000 this year. Alexander Smith (carpets) gained some 30%.

There were also cross currents in the glass business. Libbey-Owens-Ford, which does a big volume in plate glass, boosted its second-quarter net by about one-third over 1947. President John D. Biggers reported that the three months topped any previous quarter in the company's history, both in dollar volume and in units.

At the same time, Owens-Illinois Glass, which leans heavily on the container business, reported that its income for the year ended June 30 had dropped from \$16,384,000 in 1947 to \$7,678,000 in 1948.

• **Volume Drop Hurts**—In any case where volume dropped off, even temporarily, profits took a beating. Caterpillar Tractor, with a strike from Apr. 8 to May 12, showed a second-quarter deficit of \$1,084,000 against earnings of \$1,877,000 in the same period last year. Worthington Pump, with a six-week strike at one of its plants, earned only \$1,222,000 in the second quarter against \$1,475,000 in 1947.

How First-Half Earnings Compare with 1947

With production booming and prices firm or rising, most manufacturing companies rang up record earnings in the second quarter of this year. Here is how

the net income after taxes of 50 representative manufacturers compares with last year (figures in thousands of dollars —000 omitted):

Company	2nd Quarter		6 Months	
	1948	1947	1948	1947
Admiral Corp.	\$707	\$343	\$1,237	\$854
Air Reduction	1,667	1,499	3,045	2,927
American Brake Shoe	1,144	1,057	2,120	2,568
American Home Products	1,917	1,047	4,390	2,808
Atlantic Refining	8,101	3,530	16,281	6,295
Barnsdall Oil	3,345	2,198	6,731	3,862
Beech-Nut Packing	1,286	1,127	2,642	1,989
Bell & Howell	488	571	1,104	1,312
Bendix Home Appliances	901	2,565	2,559	5,012
Blumenthal, Sidney	180	D53	267	82
Budd Co.	2,258	1,528	5,116	3,340
Caterpillar Tractor	D1,084	1,877	1,841	3,528
Container Corp.	2,103	2,482	4,216	5,665
Continental Baking	2,069	1,240	3,200	2,540
Detroit-Michigan Stove	617	614	1,265	1,232
Detroit Steel Corp.	1,149	1,337	2,498	2,747
Eaton Mfg.	2,861	1,696	5,608	3,489
General Electric	29,213	24,883	54,602	42,802
General Foods	5,742	1,690	13,897	8,136
General Motors	110,282	76,766	206,764	137,559
Gillette Safety Razor	3,355	2,257	7,019	5,162
Hercules Powder	2,744	3,280	5,720	7,313
Howe Sound	570	439	1,027	817
Johns-Manville	3,301	2,939	5,608	5,190
Kaiser-Frazer	3,916	1,048	6,204	D2,188
Libbey-Owens-Ford Glass	3,947	2,963	7,104	6,941
Long-Bell Lumber (Mo.)	3,105	3,252	6,608	5,980
Mack Trucks	1,014	2,040	2,450	3,420
Mathieson Chemical	1,066	813	1,871	1,511
Mead Corp.	1,176	1,211	2,303	2,466
Nash-Kelvinator	5,054	4,195	15,447	12,617
National Cash Register	3,544	2,637	6,863	5,011
National Gypsum	1,816	1,217	3,338	2,531
North American Rayon	801	1,015	1,542	1,905
Pacific Mills	2,692	2,073	5,442	3,480
Plymouth Oil	1,586	866	3,256	1,547
St. Regis Paper	4,251	3,997	8,745	7,696
Scott Paper	1,024	707	1,744	1,335
Sharp & Dohme	767	872	1,834	1,345
Shell Union Oil	26,881	12,449	55,861	23,325
Smith, Alexander & Sons Carpet	2,120	1,577	3,737	2,969
Standard Steel Spring	1,066	632	1,993	1,377
Studebaker	3,875	1,932	8,127	3,588
Texas Gulf Sulphur	6,404	6,055	11,966	10,568
Union Carbide & Carbon	24,042	16,886	47,062	36,071
United States Steel	32,586	29,337	66,543	68,571
Westinghouse Air Brake	4,137	3,196	7,941	6,578
Worthington Pump & Mach.	1,222	1,475	2,619	3,178
Wm. Wrigley, Jr.	2,328	2,099	4,439	3,891
Youngstown Sheet & Tube	5,610	4,293	12,033	11,629

Furniture Sales Up

June figures show sudden spurt to offset high inventories which kept retailers from heavy buying at summer show.

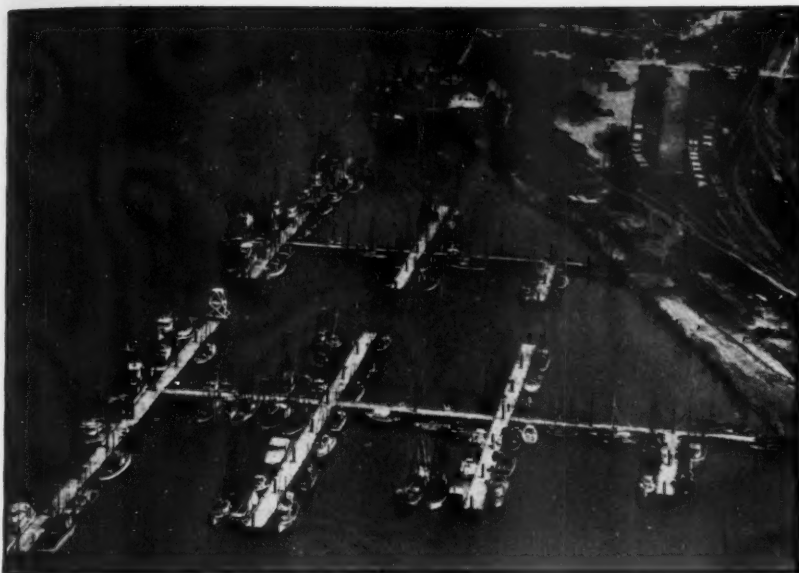
Buyers who went to the semiannual Chicago furniture market last month had the jitters, and they bought sparingly. Back home they had left their stores and warehouses jammed with stocks. All through this year, furniture inventories had risen higher and higher.

• **Sales Spurt**—Last week the National Retail Furniture Assn.'s figures for June were released—and the storekeepers relaxed. True, inventories for the month were 16% over a year ago. But after a second look at the figures, the retailers realized that their alarm had been exaggerated.

The reason was that sales had picked up sharply in June; in fact, reports to the N.R.F.A. showed that they were 10% ahead of June, 1947. Individual stores reported increases up to 100%; only 23% of the total stores had declines in sales. And scattered early reports for July indicate that the sales gain is continuing.

• **Good Business Seen**—The trade now looks forward to good late summer and fall business, expects August promotions to work high inventories down to manageable levels.

Retailers base their renewed optimism over fall prospects on three things: (1)



Floating Piers Boost Town's Revenue

To enhance its stature as a Pacific Coast fishing port, the lumber town of Eureka, Calif., built this floating harbor in Humboldt Bay. Formerly, the 200 boats in the Eureka fishing fleet had to tie up four abreast in cramped mooring space; as a result they were often battered in bad weather. So the city floated a \$200,000

bond issue, bought 781 surplus pontoons from War Assets Administration, strung them together in the boat basin. With the greater mooring facilities Eureka attracted more fishing vessels. In 1947, the catch brought into Eureka came to more than 20-million lb. (rock fish, crab, sole, salmon); in 1943, little more than 5-million lb.

recent wage increases; (2) further inflationary trends touched off by the steel-price increases; (3) the high level of new home construction.

Bullish elements in the business even fear a repetition of last fall's experience: Retailers had bought conservatively at the 1947 summer market; then fall business boomed—and found them so short of stocks that they had to scramble for merchandise to meet the demand.

• **Price Worry**—The big question mark now is prices. Retailers are set to resist strenuously any furniture increases. But they fear that other rises may force manufacturers' prices up by fall. They pin their hopes for keeping them steady on the increased capacity of the furniture industry since the war's end; more factories are now producing more furniture than ever before.

Another factor in prices is the return of second and third lines—which disappeared during the war (BW—Jul. 17 '48, p81).

• **Manufacturers Busy**—At the factory level also, both sales and shipment of furniture continue to run ahead of last year's record-breaking volume. According to figures compiled by Seidman & Seidman, Grand Rapids (Mich.) accountants for a representative sample of furniture makers, manufacturers' new orders in June were up 25% over June, 1947.

Spotty Picture

Machine-tool industry running at about 50% of capacity, but ECA orders and defense program may boost business.

The nation's machine-tool industry last week finished a long-needed self-appraisal job. What it found gave it little cause for jubilation; yet there was not too much cause for gloom.

• **Survey Results**—From a survey of major operators among the 200-odd firms in the industry, the National Machine Tool Builders Assn. found that:

(1) Industry-wide, operations are running between 50% and 54% of capacity, or at just about the 1947 rate of \$307-billion. But production varies widely between types of machine tools. Many lathe builders, for example, are operating at or near capacity; makers of some specialized tools are running at only 25% of capacity.

(2) Most companies have an order backlog of a little better than three months, based on current operations.

(3) New orders seem to be on the upturn for both builders and distributors. Here again, however, conditions appear spotty, and are influenced by buy-

ing for special production undertakings.

• **Worry**—One development which has the industry a little worried does not show up in this survey. That is the drop in the number of companies producing machine tools. A. G. Bryant, association president, estimates that since the end of the war 10% of the companies have gone out of business or merged with others.

In our mass-production economy, the machine-tool industry is important out of all proportion to its size. Faster production techniques, quality improvements, new capital goods all must start with the machine tools designed to turn them out. So any losses in machine-tool capacity, in engineering know-how, or in tool research often strike across wide segments of industry generally. This is bad enough in peacetime; it can be serious during a defense program.

The most serious loss is in the field of very heavy machine tools. Formerly there were only three companies which could make such tools. Now there are but two. That's because a few months ago Consolidated Machine Tool Co., Rochester, N. Y., bought Sellers Co. of Philadelphia. This leaves only Consolidated and General Machinery Corp., Hamilton, Ohio.

• **Potential Markets**—The tool industry is looking to three sources to feed it enough orders to keep plants operating: (1) the domestic market, (2) the expanded defense program, and (3) foreign sales, largely under ECA.

The sales job in the domestic market is already well under way; tool builders are telling U.S. metalworking firms that they could boost output 50% by installing the latest type equipment (BW—Apr. 24 '48, p26).

The association has a special committee cooperating with the military to plot out machine-tool needs, particularly for the aircraft industry. This will mean working out machining methods and using existing machine tools to the fullest extent possible.

• **Foreign Trade's Part**—Foreign trade has, over the years, accounted for at least 20% of the machine-tool builder's business. In 1947 it was 26.6%, but since then has dropped to around 10%.

Next week Bryant will go to Europe at ECA's request. His purpose: to check progress being made by European machine-tool builders in developing their own capacity to supply Europe's needs. More importantly, he will study what can be done to speed the flow of American machine tools to metalworking plants on the Continent.

• **Faster Recovery?**—Out of this should come more business for the American machine-tool industry. Of greater significance, in Bryant's mind, is the fact that it may help put European industry on its feet much faster than could be done without his industry's aid.

Better Roads Are Years Off

U. S. highways are going to pieces faster than they're being built or repaired. The war hamstrung road construction. Now it's high prices, shortages of men and materials, lack of funds.

"Highways are not keeping pace with motor traffic volume. They never have and they never will. Remember that it takes much longer to construct or reconstruct roads than to build motor vehicles."

This, in a nutshell, is the depressing prospect facing U. S. highway users. It was put this way last week by Charles H. Sells, New York State's Superintendent of Public Works, at the convention of the American Road Builders Assn. in Chicago (BW—Jul.24'48,p21).

• **Losing Battle**—Sells went on to cite his own experience. New York will spend some \$95-million on its roads this year alone. Yet the state is still some 13 years away from accomplishing all the "corrective" work necessary—let alone laying down new traffic arteries.

A state-by-state survey by Business Week makes it clear that New York, if anything, is actually doing better than most states. As New Mexico's highway department puts it: "We are spending anywhere from \$15-million to \$20-million a year, but we are fighting a losing battle. Highways wear out or become obsolete before we can replace them."

Meanwhile, postwar travel has been rising fast. By 1960, say experts, it will be 50% greater than prewar.

• **Shortages and High Prices**—Why is the national picture so acute? The reasons are not hard to find. To begin with, the states came out of the war with a backlog of road deterioration piled up in a four-year cessation of road-building. On top of this have been piled the difficulties of postwar reconversion. Even now, state after state complains that it can't get delivery of steel for bridges; that its skilled engineers are leaving for higher salaries in private enterprise; that delays in federal aid have further hampered progress.

Another serious drawback has been inflated prices. As a result, the states are getting a lot less for their money than they did before the war. Highway programs still lag way behind schedule, even though the nation spent about 30% more on its highways the first half of this year than it did during the same period in 1947. And maintenance costs more; the U. S. spent more than \$800-million in maintaining its roads last year as against about \$500-million 10 years ago.

• **Question of Funds**—To make matters worse, materials shortages are so great that some states aren't able to place road contracts up to the amount of

funds they have available. Take Nebraska: It has enough capital to go ahead on its roads a lot faster than it's now going.

It's true that a few states—Michigan, for one—report that their postwar plans are going according to plan. But "according to plan" in Michigan's case means according to available funds. It has completed some \$75-million worth of construction and repairs since the war. A survey shows it would cost \$180-million a year for 12 years to do a thorough job—\$74-million a year more than present taxes provide.

• **State by State**—Here are brief reports of what other state highway departments that responded told Business Week:

Arkansas. Rising prices have drained the war-accumulated backlog of funds. Arkansas is replacing its roads at a rate of only about half of depreciation.

Arizona. Steel and labor shortages have hampered its road construction. So has the lack of federal aid, on which it depends heavily. At the present rate of construction, the highway system may be brought up to date within 15 to 20 years at a cost of \$150-million.

California. Lack of materials has not bothered California too much. It has \$80.6-million worth of construction now under way, part of a 10-year, \$760-million program. But even so, the state will be \$240-million behind its needs at end of 10 years.

Connecticut. Mounting construction costs have thrown its five-year road plan out of whack: So far, work is running about 50% behind schedule.

Florida. The highway department thinks it can whip the highway system into good enough shape to handle anticipated traffic volumes within 10 to 15 years—if funds are made available.

Illinois. The Division of Highways entered the 1948 construction season with about \$25-million of work under contract; another \$25-million will probably be placed under contract during the year. Work has been hampered by shortages of materials and labor; delay in deliveries; rising materials and labor costs.

Maine. Because of construction costs, the "accomplishments for dollars spent is in no way comparable to prewar attainments."

Maryland. It is now going ahead with a program to modernize its 4,500-mile highway system. The legislature has authorized the sale of upwards of

\$100-million in bonds and an increase in the gas tax of 1¢ a gallon to finance the program. Construction in excess of \$30-million will be under contract by the end of the year.

Massachusetts. Here again the highway program has not progressed "according to anticipation" because of steel shortages, lack of trained and experienced engineering personnel, low salaries in state service, insufficient construction funds.

Missouri. "We have been thinking in terms of a 10-year program . . . but we know that we will not be able to do what we should in that length of time."

Montana. Currently the state has some \$10.7-million worth of work under contract, plans another \$25.3-million for 1949-50, or a total of \$39-million since the war. But, says the highway department: "Considering the increased costs of construction and the presently available sources of funds, it is doubtful if our highway system can ever be brought fully up to date."

Nevada. The dollar volume of work exceeds prewar expenditures, but the physical volume is only about 50% of prewar. "At present rates of construction, we estimate that it will take between eight and 10 years to bring our system of highways to the standard we are striving for."

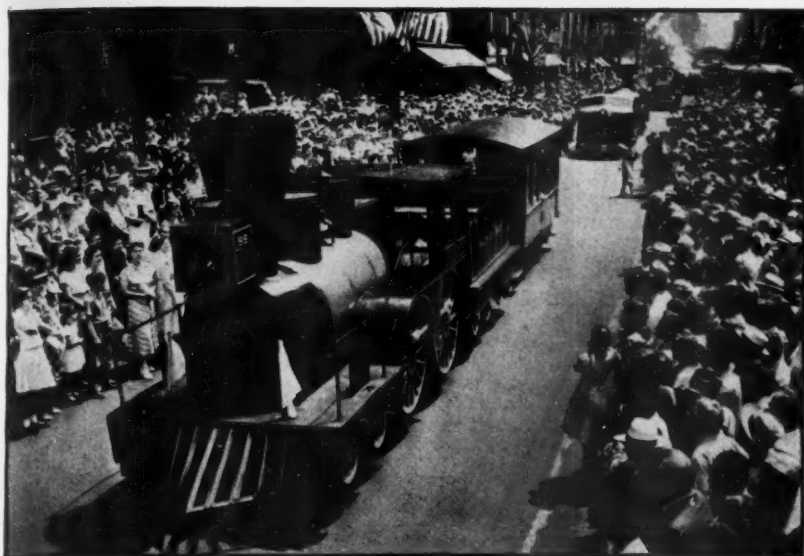
North Carolina. Its greatest difficulty has been finding competent engineers. During the past year it has spent more than \$33-million on its roads. Even so, the highway department figures that it will take 15 years to bring the road system up to "modern standards."

North Dakota. "We have carried on quite a heavy construction program during 1947 and this year it will, perhaps, be even larger. However, it is doubtful if it will ever be possible to bring our highway system up to date until we can greatly increase our construction programs."

Ohio. At the present rate of construction, it will not be possible to bring the state highway system up to "acceptable standards." A 1946 inventory showed that about \$750-million was needed to do the job, plus another \$500-million to \$750-million for the intrastate system. Present funds (state and federal) for construction run only \$50-million a year.

Oklahoma. "Our greatest bottleneck has been the scarcity of steel for bridges." A 1947 survey shows that the state's highway needs total in the neighborhood of \$335-million.

Oregon. Its highway program is about a year behind schedule. Of a total program (state and federal) of about \$47-million, contracts for \$34-million have been awarded. Progress has been delayed by (1) lack of engineers; (2) high prices; (3) material and labor shortages. "At present rates of construc-



Chicago Railroad Fair Draws Crowds

Engine replicas from railroading's hall of fame high-balled down Chicago's State St. last week to open the Chicago Railroad Fair. Sponsored by 38 leading railroads, the fair marks the 100th anniversary of the first

steam locomotive run out of Chicago. Among the sights at the 50-acre fairgrounds: an Indian village, a rodeo, a gushable model of "Old Faithful" geyser, and 21 famous locomotives—old and new.

tion, we are not keeping abreast of the increasing needs of our highway system. . . . To meet fully the requirements of the next 10 years, our construction program should be doubled."

Pennsylvania. The postwar highway program, both in construction and repairs, is approximately 12% to 15% below the anticipated schedule. "It is impossible to say when we can bring our highway system up to date, as roads are deteriorating and becoming obsolete more rapidly than we are able to reconstruct the facilities."

South Carolina. Labor seems to be becoming more plentiful, but efficiency is still not up to the prewar level. Due to "changing conditions, obsolescence and other contributing factors," the highway department doubts that it will ever make the highway system adequate.

South Dakota. Shortages have been bothersome; so have low appropriations. "Unless substantial increases in revenue are made available, it is difficult to foresee that the highway system will ever catch up with the demands and requirements of the traveling public."

Texas. It now has construction totaling \$81-million under way. But it is estimated that it would cost \$750-million during the next five years to make the highway system "adequate for the demands at that time." It will have funds for about half this amount of work.

Virginia. This is one of the few states that feels its highway program

has "definitely progressed according to plan." At the present rate, it will take three to five years to bring the road system up to "minimum standards." But it will take 20 years to bring the system to "top standards"—including four-lane construction on all important roads.

West Virginia. It has been hamstrung by labor and material shortages, lack of steel for bridges, insufficient funds. The highway department "cannot foresee the time when the entire system can be brought up to date."

Washington. Progress has been checked by the increase in construction costs, and lack of both state and federal funds. "It is estimated that more than \$500-million will be required to bring the highway system up to fully modern standards; \$149-million in needed highway improvements are already in the project stage, and \$119-million in projects are listed as critically needed."

Wisconsin. "There is more work than we can readily find engineers to staff. The continuing rise in cost necessitates much reshifting of finances to carry the projects. Then, too, the continuing difficulty in procuring structural steel slows down projects."

Wyoming. The state has been spending approximately \$10-million a year on construction and maintenance since the war. This state's highway department figures that at this rate it would take 20 years to bring its highways up to "adequate standards."

The DC-6 Fender

Douglas Aircraft stamps out 4,000 car parts a week as plane business thins out while automotive demand stays high.

In his work-starved airplane factory in Santa Monica, Calif., Donald W. Douglas this week banged out 4,000 automobile fenders and sheet-steel parts.

Nobody was more surprised than he at this turn of events for the Santa Monica plant, the incubator and cradle of his proud DC-6.

• **New Division**—Douglas' auto parts come from a new Metal Products Division which is to make "a wide variety of pressed metal products." At the helm as general manager is Harry Woodhead, recently president of Consolidated Vultee.

Obviously Douglas, near the end of his string on DC-6's, is flirting with the California auto assembly plants.

Four months ago fender-pounding was far from Donald Douglas' mind. Other plane makers had taken a postwar fling at pots and pans and caskets (BW—Sep. 28 '46, p. 21). Douglas, except for one tentative venture into fabricating a metal rowboat, stuck to airplanes.

• **Persuader**—The man who persuaded Douglas was Dave Berman, owner of a business in Glendale known as California Parts & Supply Co.

For 20 years Berman has been cashing in on the weaknesses of Detroit's normally shrewd auto industry. Berman's forte is smelling out parts shortages and then, through a network of contract manufacturers, meeting the shortages.

• **Wanted: Fenders**—Last spring Berman's nose began to twitch again. People wanted fenders. While Detroit was struggling with '48 models, fender supplies for earlier models sagged. Berman discovered that no one outside Detroit was making them.

Who, Berman wondered, had the engineering know-how to die-press so complicated a sheet metal shape? He found the answer in the Douglas DC-6 and its flowing sheet-metal curves. Result: Last May Douglas began bumping its drop hammers and spilling into Berman's hands 1,000 fenders a week.

Elated, Berman passed the word to parts dealers: The shortage was over. He could give them fenders and other parts, plus discounts matching or bettering Detroit's prices.

• **Happy Sacrilege**—Donald Douglas took a close look at the sacrilege that was being perpetrated in his airplane plant. Apparently he liked what he saw. Now there is a full-scale division to go after the other-than-aircraft market. Nor will Douglas' military plane orders even-

tually crowd out the new activity—they'll be filled from other Douglas plants. The new division is thus permanent.

The jackpot question, of course, is where does Berman get his steel? Berman says he has six sources of supply, as far east as Detroit. They're warehouses and jobbers. He pays a little more than if he could buy from a mill, but says that he gives the gray market a wide berth. For fenders alone, he needs 80,000 lb. of sheet a week.

So far he has supplied all the steel to fill his parts orders. Harry Woodhead's broad experience in the steel industry (Truscon, Midland) is counted on to

help Douglas over future rough spots in supply.

• **The Future**—For Douglas, it looks like a solid business. All the auto companies with western assembly plants have been looking for parts suppliers. Ford formalized its search last year by announcing a desire to buy \$50-million worth of parts a year from Pacific Coast manufacturers (BW—Feb. 15 '47, p19).

With the \$50-million level now in sight, Ford is talking of buying up to \$90-million of California products. There is probably \$200-million of business from all automobile manufacturers combined, Ford estimates, for southern California plants.

FTC Wants Bigness Stopped

Four reports hit at mergers, cartels, and manufacturers' power over their dealers. Commission wants Clayton act amended before "collectivism will have triumphed over free enterprise."

The Federal Trade Commission this week contributed four side dishes to the bill-of-fare which the President set before the special session of the 80th Congress.

FTC's four reports all dig deep into the history and development of business at home and abroad. But they are more likely to provide campaign tidbits for the new Progressive Party than for either Dewey or Truman.

• **The Subjects**—The reports, each running more than 200 pages, are titled:

(1) "The merger movement: a summary report."

(2) "International steel cartels."

(3) "International electrical equipment cartel."

(4) "Manufacture and distribution of farm implements."

• **Mergers**—The longest report (260 pages) is the one on mergers. It contains the statistical data for recommending again—as FTC has done regularly since 1914—that Congress plug the barn door in the Clayton act.

As the act now stands, a corporation may merge with another by buying its physical assets (equipment, plant, real estate, etc.). The act outlaws only a merger in which one company buys up the capital stock of another to cut down competition.

• **Supreme Court Ruling**—FTC points out that 20 years ago the Supreme Court also upheld the legality of another loophole. Through it, a corporation could buy up the capital stock of another (which might be illegal under the Clayton act). Then it could use its control of the acquired company to approve the sale of assets to the acquiring company (which is perfectly legal).

The Supreme Court decided that such a procedure couldn't be unwound

by FTC—as long as the acquiring company bought the physical assets before FTC got an order of divestiture under the Clayton act ban on stock acquisition.

• **The Picture**—The over-all merger movement, says FTC, has been something like this:

Since 1940 more than 2,450 manufacturing and mining companies have lost their independence through mergers. The merged companies' assets totaled about \$5.2-billion, a sum which FTC points out to be "more than 5% of the total assets of all manufacturing corporations in the country."

• **Main Trend**—The report then cites figures to show that the mergers occur by big companies gobbling up little companies, generally speaking. Few little companies join hands to get bigger, and few big companies buy up other big companies.

In a 128-page statistics-and-text appendix to the merger report, FTC uses eight steel companies as examples to spell out the trend of corporate mergers. During the 30 years between 1915 and 1945, FTC finds, these eight acquired 153 other companies. FTC calls this "external" as contrasted with "internal" or build-it-yourself growth.

• **Results**—This external expansion accounts for one-fourth of the overall growth of the companies. In some instances, this external growth was much more significant: That's how Bethlehem Steel Corp. got one-third of its expansion, and how Republic Steel Corp. got two-thirds of its growth, according to FTC claims.

The merger report also rounds up about everything FTC has had to say on mergers; legislation, trends of mergers (spotlighting food, beverages, tex-

tiles and apparel, chemicals, drugs), economic concentration, and types of mergers (horizontal, forward, backward, and conglomerate).

• **FTC Conclusion**—From such evidence, FTC concludes:

"No great stretch of the imagination is required to foresee that if nothing is done to check the growth in concentration, either the giant corporations will ultimately take over the country, or the government will be impelled to step in and impose some form of direct regulation in the public interest."

In either event, says FTC, collectivism will have triumphed over free enterprise and free competition—which it is trying to protect.

• **Cartels**—In its two studies of international cartels—steel and electrical equipment—FTC reports on how the industries used export trade associations to further their deals with foreign producers. The irony, of course, is that the Webb-Pomerene Act, which is administered by the FTC, specifically freed from antitrust action associations of domestic manufacturers who get together "for the sole purpose of engaging in export trade."

Both reports give FTC's story of the international negotiations and agreements reached between domestic manufacturers and their foreign counterparts. The reports note that the Steel Export Assn. of America was dissolved in September, 1939, when the war began in Europe; and that the Electrical Apparatus Export Assn. was dissolved following signing of a consent decree by its principal members in March of this year.

Closest readers of the cartel reports will be the members of the 50-odd industry export associations who are still signed up with FTC under the Webb-Pomerene Act.

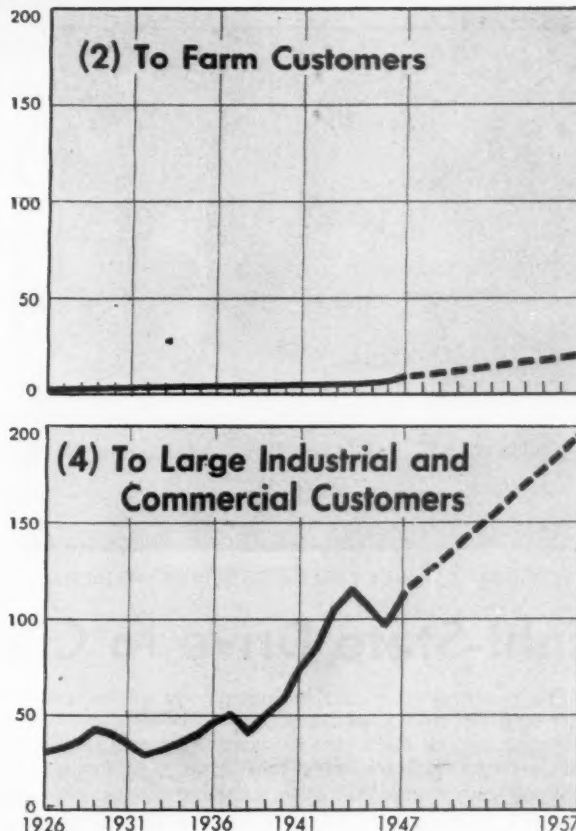
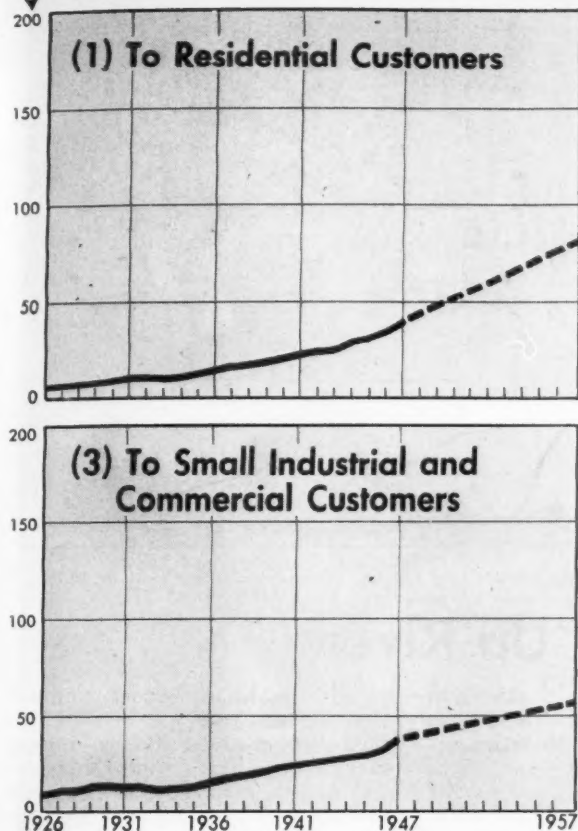
• **Farm Implements**—In its fourth report—on the production and distribution of farm implements—FTC takes a look at the price and sales policy of the farm equipment makers. There are no recommendations, but FTC struck an unusual note when it cited a company's actions favorably, not once, but twice.

The commission patted International Harvester Co. on the back (1) for its price reduction of Mar. 10, 1947, which FTC estimates saved consumers \$20-million, and helped keep down competitors' prices; and (2) for discharging a distributor when I.H. found that he had played favorites in distributing hard-to-get supplies to I.H. retail dealers in his territory.

• **Manufacturers and Dealers**—FTC's most significant point on farm implements: Manufacturer-dealer relationships are slanted in favor of the manufacturer—a situation which is "inherent in the great disparities of size and bargaining power."

SALES OF ELECTRICITY (in Billions of Kilowatt Hours)

Data: Westinghouse Electric Corp
© BUSINESS WEEK



Future Demand to Make Power Industry Hustle

As everyone knows, demand for electric power and supply are now touch and go in many parts of the U. S. (BW—Apr. 17 '48, p. 24). All users of power—particularly among industry—wonder what lies ahead.

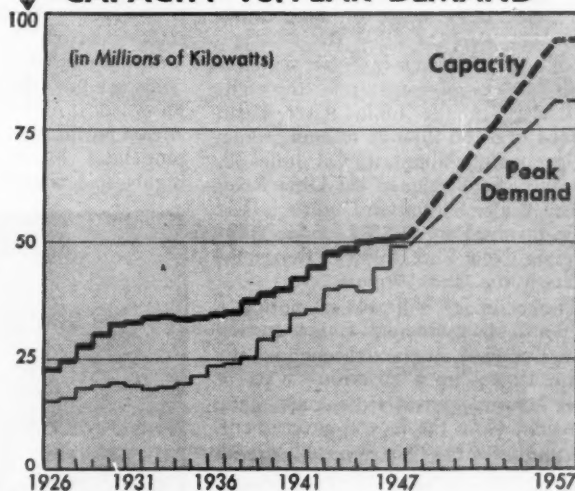
The charts on this page give a tentative answer to the question. They show how demand has developed since 1926 and forecast the levels it will hit 10 years from now. These charts are based on "The Electrical Industry by 1957," a report just published by Westinghouse Electric Corp. The report was prepared by the company's market development department.

In making its 1957 estimate, Westinghouse assumes a high level of industrial activity and employment. No attempt is made to predict cyclical swings in demand.

• **Need for Expansion**—The power industry will have to build mightily to keep ahead of demand, not only in the near future, but during the entire next decade. The report says that an average annual increase of 4.3-million kw. in generating capacity—not counting replacements—will be necessary to keep a safe distance ahead of demand. Private and government utilities are planning to increase capacity at an average annual rate of about 5.2-million kw. through 1948-1951, according to the Edison Electrical Institute. (Again, this excludes replacements.)

• **Markets**—Up to now, the power industry has chiefly served two types of electrical equipment: lighting and motors. But the application of electricity to industrial processes has tremendous possibilities, still largely untapped. Such growing applications as welding, continuous annealing

CAPACITY VS. PEAK DEMAND



of steel, brazing, radio-frequency and infra-red heating, and iron ore beneficiation, will take increased millions of kilowatts of capacity during the next decade.

Home users will greatly increase their use of "load builders" (electrical heating and air conditioning, water heaters, television, freezers, better lighting). Sales to homes are expected to double during the decade. And there will be great expansion in use of electricity on the farm (BW—Jul. 3 '48, p. 31).

Indeed, electrical companies are soft-pedaling this development: They are delaying promotion on "load builders" until the present demand-supply squeeze becomes less acute.

STATES AND CITIES



WASTE FROM SEWERS like this has so badly polluted the . . . OHIO BASIN that concrete action has been started in an . . .

Eight-State Drive to Clean Up Rivers

"The Beautiful Ohio" can become a pretty ugly river from a sanitation standpoint. The reason: Each year for more than 20 years, more and more tons of untreated sewage and industrial waste have been dumped into the Ohio and its tributaries. It's so bad now that when the water is low, one quart out of every gallon of it is from a sewer. Yet, more than 1.5-million people get their drinking water from the Ohio River.

◦ **Eight Participants**—This week, after some 14 years of preparation, the eight key states in the Ohio River Basin seemed to be on the way to doing something concrete about it. On June 30, the states finally signed the Ohio River Valley Water Sanitation Compact. The states involved are Ohio, Indiana, West Virginia, New York, Illinois, Kentucky, Pennsylvania, and Virginia.

◦ **The compact** will set in motion a \$400-million municipal and industrial sewage control program throughout the basin. It sets up a governing body of three commissioners from each state, and three from the federal government.

◦ **Requirements**—The compact requires that virtually all "settleable" solids be done away with, and not less than 45% of the total suspended solids in municipal sewage systems. It requires further that all industrial waste discharged into streams be treated.

That last provision means that industry is going to have to carry a big share of the financial burden.

◦ **Industry's Job**—Some industries will pay added taxes or other forms of revenue to finance sewage disposal systems built by local governments.

Factories located in areas not covered

by public sewage must do away with contamination themselves. Sometimes this will simply mean better housekeeping methods; sometimes it will mean a change in manufacturing process. But most often it will mean building waste-treatment plants.

The investment for treating plants will not always be without return. Sometimes you get valuable salvage from treating wastes. For example: The coke industry now reclaims phenol, once a waste product, that is valuable as a base for plastics. And a direct beneficiary of stream purification will be the river shipping lines. For a long time now, the highly acid content of the Ohio Basin

streams has had a serious corrosive effect on their craft.

◦ **Cooperation**—One of the biggest problems in doing anything about pollution is getting cooperation. No state alone can lick the problem. It might do a thorough job in cleaning up what it dumps into the river, but if the next state upstream isn't doing it too, the water is still polluted.

In 1936 Congress authorized the states in the Ohio Basin to enter into a compact for pollution control. It took until this year for all the eight states to adopt it.

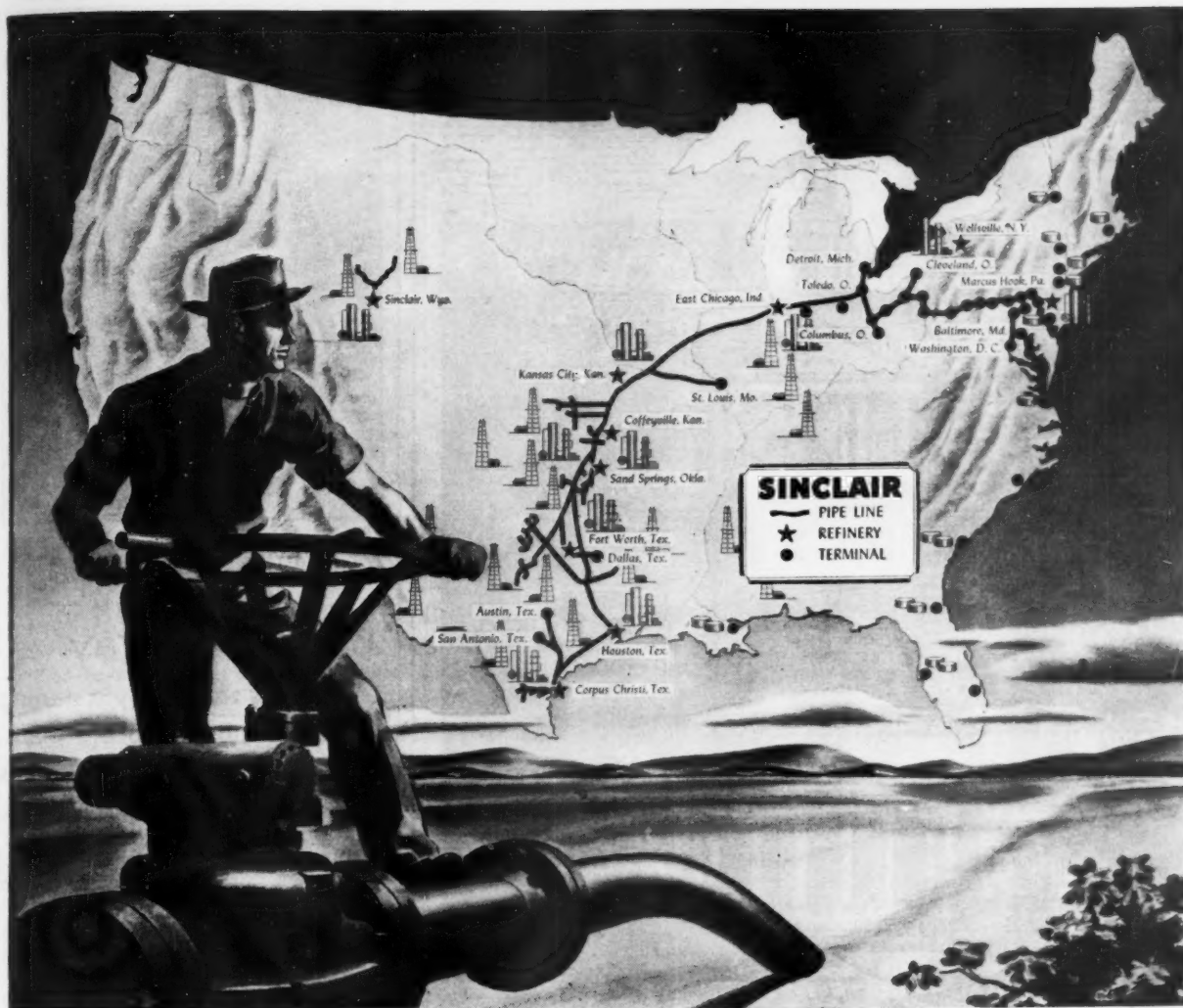
◦ **Making It Work**—The man largely responsible for making the compact work will be the commission chairman, Hudson Biery, public relations director of the Cincinnati Street Railway Co. For 14 years Biery has been chairman of the Cincinnati Chamber of Commerce committee on water purification; he was a pioneer in laying the groundwork for the interstate pact.

Critics of the compact claim that effective results can come only with a stiff federal law. To them Biery retorts that most of the states already have laws to force a cleanup.

◦ **Federal Support**—Moreover, the compact already has federal backing. On the same day that the compact was signed, President Truman signed the Barkley-Taft Water Pollution Act. It authorizes the U. S. Public Health Service to issue cleanup orders, provides for federal court action against offenders in pollution. It also authorizes appropriation of \$22.5-million a year for the next five years to provide loans to build sewage disposal works.



CHAIRMAN of purification commission: Hudson Biery of Cincinnati



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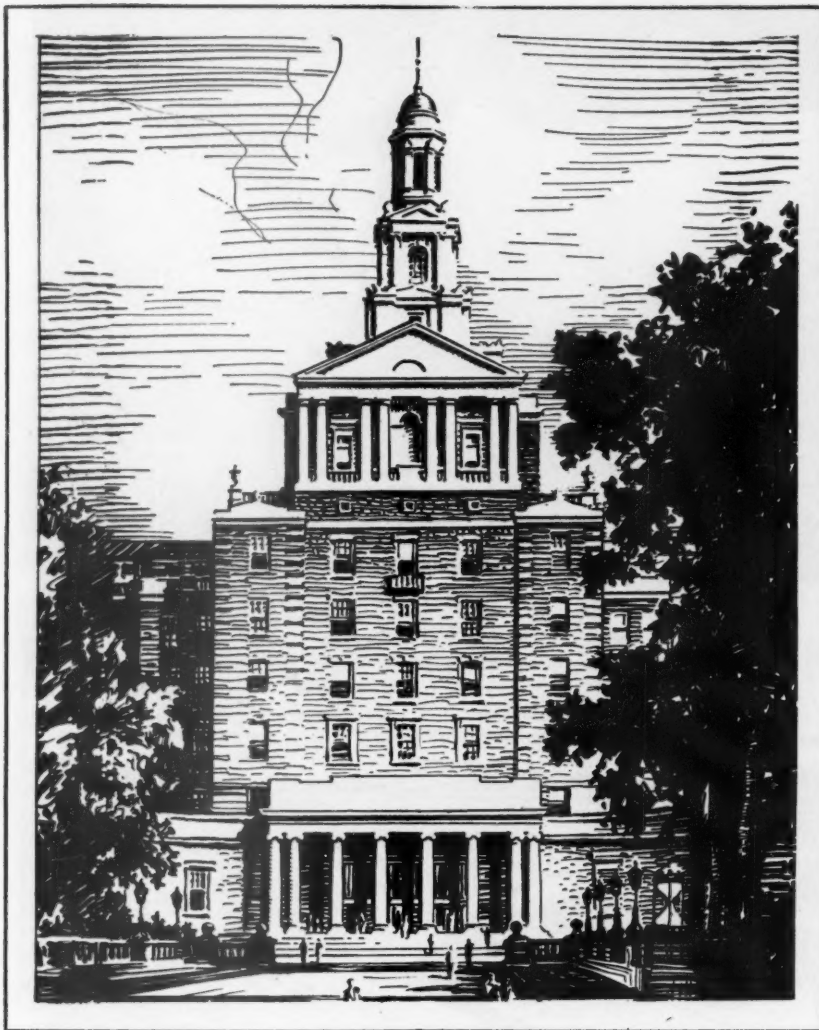
These lines flow 100,000,000 barrels of crude oil each year from the Southwest to strategically located Sinclair refineries. They deliver over 13,000,000 barrels of petroleum products to the nation's large population centers.

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17-MILE CHANNEL to Gulf of Mexico helps to make Brownsville a . . .

Busy Gateway

Texas community is starting second century with big plans. Water, air, and highway routes make it natural door to Mexico.

Brownsville, Tex. (population 35,000), is a town that's on the move—ahead. As this "gateway to Mexico" celebrates its 100th birthday this month, it's set to go by water, air, and highway.

Officials of this inland port, just across the Rio Grande from Mexico, were getting ready to float the first portion of a \$1,750,000 revenue bond issue for utility improvement. It was O.K.'d by the voters July 17—to keep pace with the \$50-million industrial expansion, public and private, slated for this year. That expansion will help make more solid the little city's claim that it is the trade hub of the area.

• **Strategic Spot**—Brownsville has good reason to be cheerful. At its front door, 17 miles down a salt-water ditch from Brownsville Port, lies the Gulf of Mexico. It's side door faces the Mexican city of Matamoros. And behind, to the north, it is linked to the great hinterland of the U. S. During the fiscal year ended June 30, 1948, almost twice as many vehicles—ships, planes, buses, trains—entered the country through Brownsville as the year before.

• **The Port**—In 1947, 900 deep-sea vessels docked in Brownsville's harbor (picture, above). They came from all over the world—Russia excepted. Last year the port handled 893,927 tons of cargo; this year it looks for a million.

By the end of 1948, improvements

now under way will give the port a 32-ft.-deep channel and turning basin. There will be berths for eight deep-sea, dry-cargo ships (it now berths five); there will be oil docks for four tankers (it now has one). Nine miles of railroad track at the port help move cargo to and from the ships.

• **Exports and Imports**—For the fiscal year ended June 30, 1948, U. S. Customs collected over \$1.6-million at Brownsville in duties, half a million dollars more than the year before. And these figures don't tell the whole story; a lot of cargo, such as bananas and shrimp, comes in duty free.

Nearly half the cargo shipped out from Brownsville comes by truck and rail from Mexico for transshipment. Such cargoes include fruit, lead, zinc concentrates, iron, silver, cotton.

In all, \$94-million has been sunk in the port: \$34-million from the federal government; \$1.8-million from local taxes; \$1-million from last year's revenue bond issue. Most of the rest of the money came from revenue.

When the intracoastal canal along the Gulf (BW—Apr. 11'42, p18) is finished next year, the port will be linked with Ohio and Mississippi river traffic.

• **By Air and Road**—Air traffic too explains why Brownsville hopes are flying high. The International Airport was started 20 years ago. Today, four lines make scheduled flights there.

Another big boost: Mexico's 197-mi. Victory Highway, just finished. It ties Brownsville into a direct route from Winnipeg, Canada, to Mexico City. Brownsville counts on the highway to double the tourist trade (6,000 a season), and swell the amount of goods from Mexico and Central America.

• **Private Industry**—The port already has a thriving crop of private industries: Four oil companies operate tank farms; one has a 4,000-bbl.-a-day refinery. There's a \$500,000 shipside cotton compress and concentration plant and warehouse—plus smaller businesses.

And new industry is piling in. Carthage Hydrocol is building a \$21-million plant, the first in the country to make synthetic gasoline from natural gas (BW—Jan. 24'48, p21). Also, Stanolind Oil & Gas Co. and U. S. Industrial Chemicals, Inc., plan to put some \$25-million in new plant there this year.

Meanwhile, downtown Brownsville is growing. North American Compress & Warehouse Co. is putting up a \$1-million plant. J. C. Penney and Sears, Roebuck are building too.

• **Dollars Come Home**—Brownsville retailers are happy about another Mexican import: customers. Many merchants figure half their trade comes from across the border. They don't worry when tourists spend a lot of money in Matamoros. They know Matamoros citizens will spend their dollars in Brownsville.

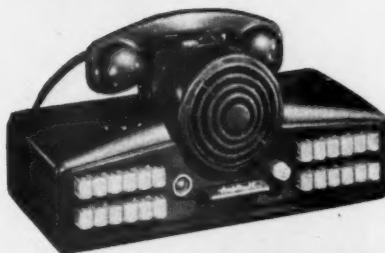
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Mr. O. W. Richards, owner Richards' "Lido" Market.

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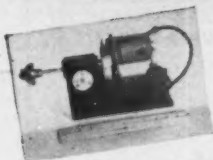
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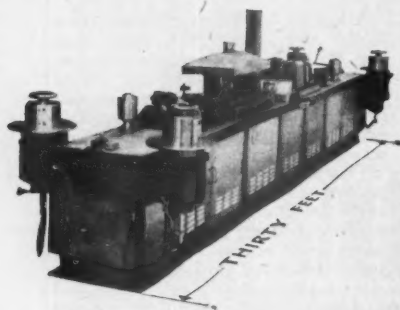
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TO THE LARGEST



This automatic machine is used for pretinning the edges only of metal strip, two coils at a time. The tin applicator rolls are adjustable to govern the amount of tin deposited on the edges of the strip. Through the amount of tin saved over former wasteful methods, this Black-designed-and-built unit pays for itself every six months.

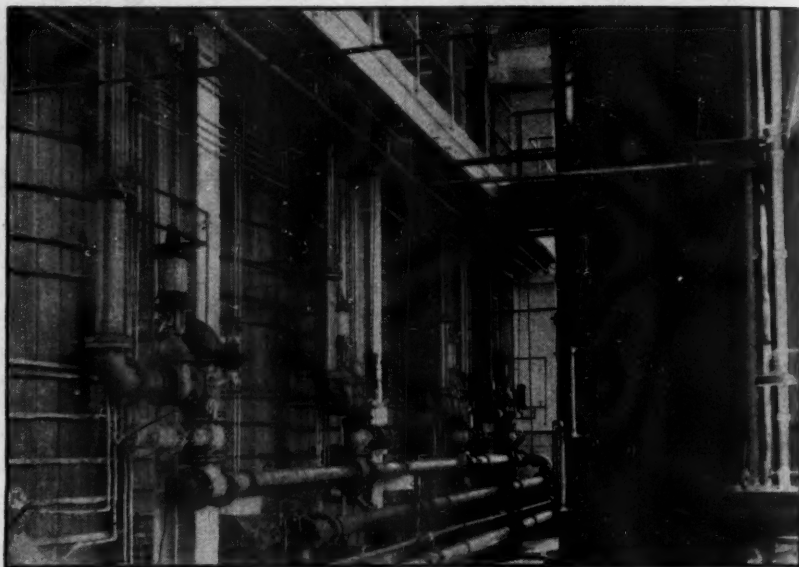
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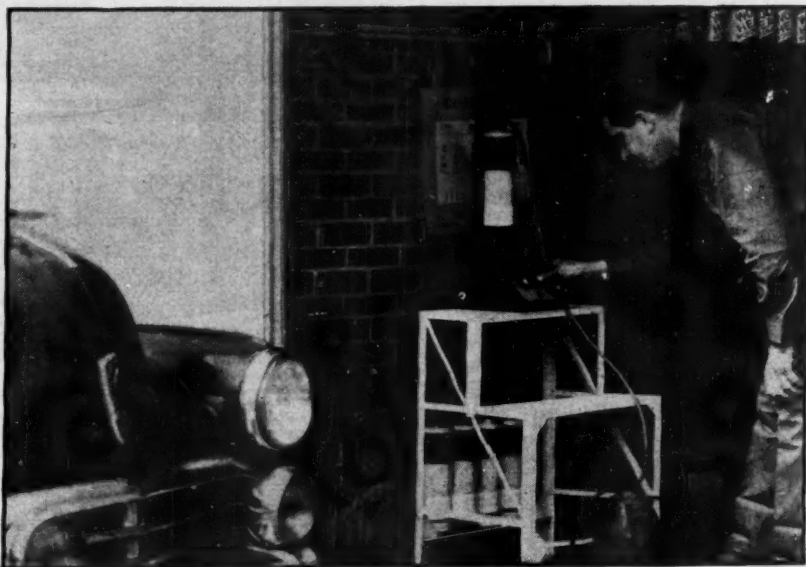
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PURIFYING TAP WATER for use in automobile batteries are two of the . . .

Many Uses for Ion Exchange

Water-treating is still the biggest. Others: sugar refining; metal recovery from liquid wastes; separating vitamins; isolating chemicals. Field will widen as new resins are developed.

Separating one substance from another—when both are in solution—is a frequent and costly problem for industry. The most modern way to pull them apart is to use a process called "ion exchange." Experts are now studying refinements in that process—refinements

that will point the way to cheaper, more efficient separation of hundreds of stubborn chemical and metallic substances. • **What It Is**—If you're an executive who left your chemistry back in high school, ion exchange is a tough topic for summer reading. But it may mean

a lot to your business one of these days. Here's what it is:

(1) In many cases, when a chemical compound dissolves, each molecule breaks up into two parts, called ions. One of these takes one or more electrons from the other; thus, both are electrically charged. The one that loses electrons is positively charged, and is called a cation; the one that gains electrons is negatively charged, and is called an anion.

(2) You can take one or the other of the ions out of the solution by passing it through a solid material called an ion exchanger.

• **Applications**—There are many industrial uses of the process today—conditioning water; purifying sugar solutions; separating vitamins and other food elements; isolating chemicals; recovering metals from liquid wastes. But, wide as today's applications may be, many feel that the process has only begun to be of use for the many jobs it can handle. These further applications await only the development of new types of synthetic ion exchangers.

The whole idea of ion exchange is fairly recent. About 30 or 35 years ago, some naturally occurring sands were first used to soften water. But it was only in the mid-1930's that certain kinds of organic resins were found to have ion-exchange properties. That is, they contain cations or anions which they will trade for the cations or anions in a solution.

• **How It Works**—For example, most water supplies contain, among other things, calcium sulphate. In solution, this compound actually exists in the form of positively-charged calcium ions and negatively-charged sulphate ions. It's the calcium ions that make the water hard.

To remove these calcium ions, the water is passed through a bed of hard, sand-like grains that have "detachable" positively-charged hydrogen ions. This material is called the cation exchanger. The hydrogen ions go into the solution; the calcium ions are drawn out and adsorbed on (stick to) the bed. The water is then soft.

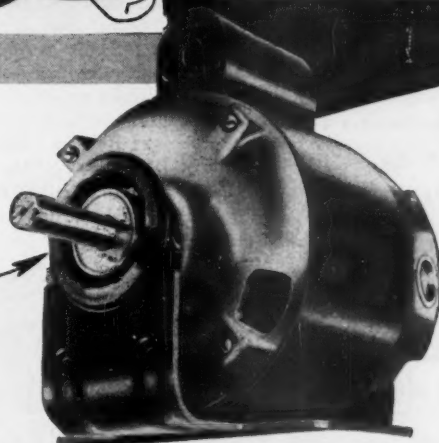
• **Second Step**—If you want to deionize (demineralize) the water completely, there's a second step. Acids have formed in the first step—because any solution containing positively-charged hydrogen ions is an acid, by definition. In this case it's sulphuric acid, because of the sulphate ions already there. So the solution that comes from the cation exchanger is run through a second bed—of anion exchanger, this time.

This material contains detachable hydroxyl ions. (A hydroxyl ion is an oxygen atom attached to a hydrogen atom, plus an extra electron, which makes it negatively charged. This is the ion that makes a solution alkaline, just as

Burke Electric Gets VIBRATION ISOLATION



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BURKE Electric Company was on the alert to take advantage of the improved performance made possible by the new Lord FHP Motor Mount. It is standard equipment on resilient base models of $\frac{1}{4}$ and $\frac{1}{3}$ hp. capacitor motors.

No bolts, nuts, straps or special tools are required to install this mount. Since it is readily clipped into place, assembly lines move faster, and production costs are reduced. The mount fits N.E.M.A. standard bases.* It provides excellent torsional vibration insulation and in addition has sufficient vertical and horizontal softness to reduce vibration in these directions also. At the same time it maintains adequate resistance to belt pull.

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*For details on motor base see N.E.M.A. Publication No. 47-121 for small H. P. Motors—Sect. MG8—Page 753 Dated Oct. 1, 1946.

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the positively-charged hydrogen ion is the one that makes a solution acid.) When the solution passes through this bed, the hydroxyl ions go into the solution and the sulphate ions are adsorbed onto the bed.

• **Pure Water**—It would appear that what you get from this process is water containing a lot of hydrogen and hydroxyl ions. But when a hydrogen ion and a hydroxyl ion meet, they join instantaneously to form a molecule of water. (Positively-charged hydrogen plus the negatively-charged oxygen-hydrogen combination becomes a hydrogen-oxygen-hydrogen combination with no electrical charge, or H_2O .) So what comes off the second bed is pure water, and nothing but. Both the calcium and the sulphate have been removed, and the water has been completely demineralized.

Most of the anion exchangers now in use are only weakly alkaline—they don't release their hydroxyl ions readily. But resins that are being developed today are very strongly alkaline. These have two big advantages, which promise to open a much wider field for application of ion exchange:

• **Reverse Order**—They make it possible to reverse the order of the beds. A weakly alkaline anion exchanger can't be used on the original solution of, say,

calcium sulphate, because the hydroxyl-ion concentration isn't strong enough to pull all of the sulphate away from the calcium.

But the new resins will be strong enough. Thus, the solution that exists between the two steps will be alkaline instead of acid; this means that solutions containing substances that would be destroyed by acids can be treated with the ion-exchange process.

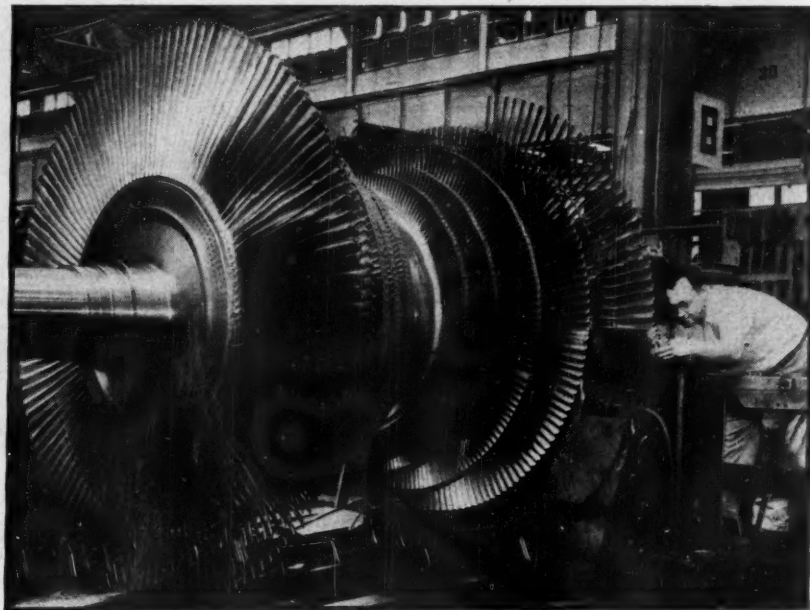
• **Single-Bed Process**—Such resins will probably make it commercially possible to use both exchangers in a single bed. This will accomplish several desirable things:

(1) It will insure that at no time is the solution either acid or alkaline, thus enlarging still further the number of materials on which the process can be used.

(2) It may permit continual-flow operation instead of the batch process used today.

(3) By combining two separate operations into one, it will save time and money.

The biggest drawback to such single-bed deionization, and one that hasn't yet been completely overcome: how to separate the two resins for "regeneration"? When the available supply of exchange ions in a resin have been used up, they must be replaced, and the min-



Turbine Output Climbs to Beat the Power Pinch

For power suppliers straining to catch up with demand (BW—May 29 '48, p34), mid-year production figures from General Electric Co. were good news. In the first half of 1948, G. E. nearly doubled last year's output rate of steam turbine generators. Thirty units were produced—against 34

generators for all of 1947. Here a 29,000-lb. rotor for one of the turbines nears completion. Its fin-like buckets are manufactured to a tolerance within 0.0002 in. The finished generator will put out 100,000 kw., enough power to light a city of 300,000 people.

eral ions that have been adsorbed from the solution must be washed away. This is easy enough for a single resin. But it's impossible when the two are mixed. So they have to be separated—and that, so far, has been a difficult hurdle to get over.

• **Makers**—Several strongly alkaline anion exchangers are currently being tested. Among them: Resinous Products & Chemical Co.'s Amberlite IRA-400; Permutit Co.'s Permutit-S; American Cyanamid Co.'s Ionac A-300. The other two major producers of ion-exchange resins—Dow Chemical Co. and Chemical Process Co.—are working with similar materials, but they are not far enough along to have given them specific designations.

• **Two Classes**—There are two general classes of ion-exchange materials in use today; inorganic and organic. Inorganic exchangers—the natural sands, or zeolites—are widely used for water softening. These materials are cation exchangers exclusively; hence, they can soften water, but cannot completely demineralize it.

The organic exchangers are by far the most important in all ion-exchange operations except water softening. These are mostly synthetic resins—plastic, granular solids. Their big advantage is that their makeup can be tailored to handle specific jobs.

Exchange capacity is a big criterion in rating the resins. Other important factors: speed and completeness of removal; ease of regeneration; flow rate of the solution through the resin; physical characteristics such as density and size of particles; chemical and physical stability.

• **Equipment**—Most equipment in use today for deionization is fairly well standardized. Essentially, a cylindrical tank or column holds the bed of ion exchanger. Below the bed there is a collector device; above it is a system for distributing the liquid being processed, and another for the regenerating solution. An external piping system handles the flow of the solution, the regenerating liquid, the backwash, and the rinse water.

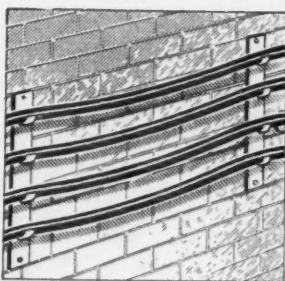
Capacities of the equipment run from a few gallons to millions of gallons a day. Units up to 24 ft. in diameter have been installed; most tanks, however, are 12 ft. or less.

• **Water Treatment**—Still out front as the biggest single use of ion exchange is water treating. For complete demineralization, organic exchangers are said to hold a marked advantage over distillation. Distillation units run at a more or less fixed cost per gallon—regardless of the mineral content of the water. Deionization costs, on the other hand, vary with the amount of material to be removed. Practically all waters can be deionized at a fraction of the cost of

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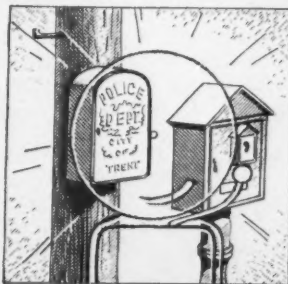
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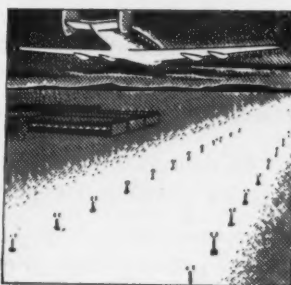
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distillation. Costs run from a few cents per 1,000 gal. to 25¢ or 30¢—depending on the mineral content.

But you don't get absolutely pure water by deionization. Only the simple chemical compounds are removed. Minute organic particles, such as bacteria, remain.

• **Sugar Refining**—Among new users of ion exchange, the sugar industry has so far stolen the spotlight. Millions of dollars are going into commercial-size and pilot plants. Their job is to remove impurities from sugars and sirups. (The sugar itself is not affected by the process, because sugar is one of the chemical compounds that does not break up into ions.)

There are several advantages in using deionization: higher sugar yield; elimination of low-quality molasses; recovery of waste sugar; and the chance to do away with several costly processing steps. Results have shown that juice purity can be raised from 90% with conventional methods to about 97% with ion exchange. At the same time, recovery of sugar from the juice climbs from about 84% to better than 95%. And the residual molasses which becomes inedible with the old refining processes can be marketed without any further treatment.

• **Beet and Cane**—Beet-sugar refiners started testing ion exchange before the war. The first commercial-size unit went into operation in 1941 at Isabella Sugar Co.'s Mt. Pleasant (Mich.) plant. Since then, many other companies have followed along with either commercial or pilot plants. Among the commercial units: Amalgamated Sugar Co., Twin Falls, Idaho; Holly Sugar Co., Hardin, Mont.; Layton Sugar Co., Layton, Utah; Utah-Idaho Sugar Co., West Jordan, Utah.

A lot of experimental work has been done in cane-sugar refining, but no commercial-size units have been built. Some of the companies doing pilot-plant work: Godchaux Sugars, Inc.; Manati Sugar Co. of Cuba; Pepsi-Cola Co.; United States Sugar Co.; Central Espana, Cuba. The Audubon Sugar Factory at Louisiana State University, and the Hawaiian Sugar Planters Assn. also have test setups in operation. However, in the case of cane-sugar refining there is a lot of doubt as to whether the process will ever be commercially feasible or applicable.

• **Fruit Sugar**—Recovery of natural sugar from undrinkable fruit juices is another instance where the process of ion exchange is useful. Two commercial-size plants are already at work—Citrus Concentrates, Inc., Dunedin, Fla., and Hawaiian Pineapple Co., Honolulu.

Corn-sugar refining is still another field. (The ion-exchange process is used in much the same way for refining all types of sugar: beet, cane, fruit, or corn.)

Corn Products Refining Co., Argo, Ill., has run a large pilot plant for more than a year; A. E. Staey Mfg. Co. is reported to be doing similar experimental work. On the basis of its success with the pilot plant, Corn Products is building a large-scale, completely automatic ion-exchange system for its new plant at Corpus Christi, Tex.

• **Other Uses**—Although water and sugar account for most of the large-scale deionization units, there are a host of other uses:

The need for acid-free material in synthetic-resin manufacture has boosted ion exchange in the removal of formic acid from formaldehyde.

The dairy industry has used synthetic exchangers to lower the calcium content of milk for infant feeding, and to stabilize evaporated milk.

Recovery of metals from dilute solutions was carried out commercially in Germany with ion exchange. In one case, copper was retrieved from wastes in the manufacture of cuprammonium rayon textiles.

Ion exchange has been used extensively in the chemical and pharmaceutical industries. One application: The production of streptomycin where neutralization has to be done without adding further salts to the solution. Separation and isolation of amino acids are also under study.



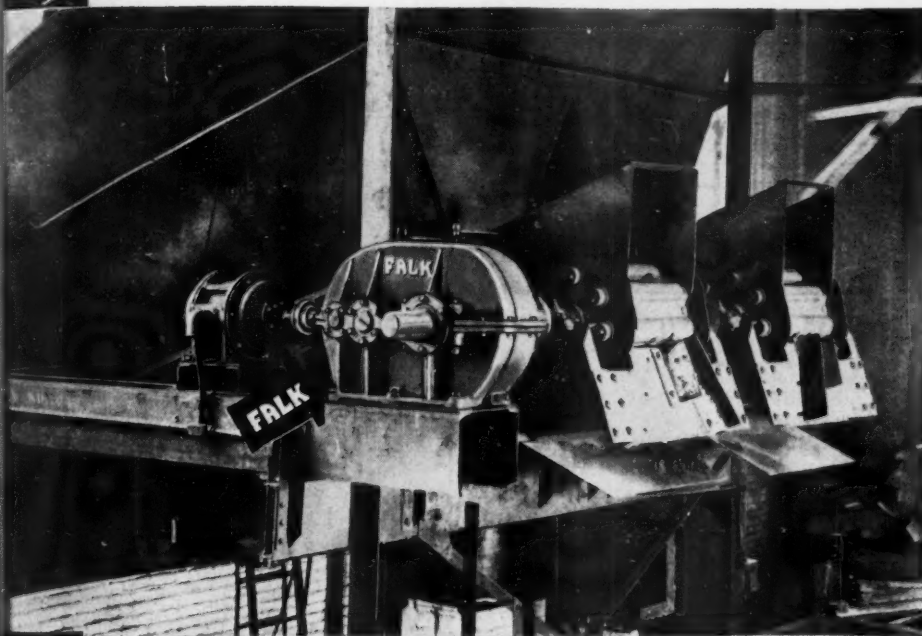
TIME-SAVING DRESSER

Dressing (shaping) the contoured wheels that grind threads and other forms in steel is usually a slow and difficult operation. Nils Hoglund of Union, N. J., has a new dresser in which the movement of the diamond (which cuts the wheel) is controlled in a 1-to-10 ratio from a template. The diamond cuts the surface of the revolving abrasive wheel to a miniature replica of the template in a few seconds, to an accuracy of 0.0002 in.

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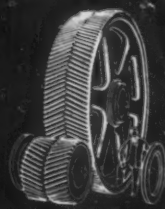
MODERN foundries are essentially establishments where every factor—men, materials, machines, methods—must prove its "bedrock" basic worth, every hour of every day. The name FALK has long been a **good** name . . . an instantly recognized and accepted name . . . among experienced foundry men who are responsible for the purchase and performance of equipment for the transmission of geared and coupled power. Here, as in practically every branch of industry, the name FALK symbolizes ceaseless metallurgical and technical research; advanced engineering, designing and production techniques; and the most ethical methods of selling and servicing. All these, plus a mutually profitable worker-management-customer relationship, help explain the traditional fact that "Falk customers are permanent customers"!

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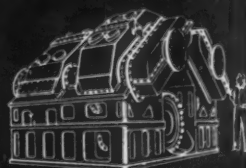
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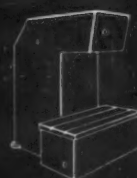
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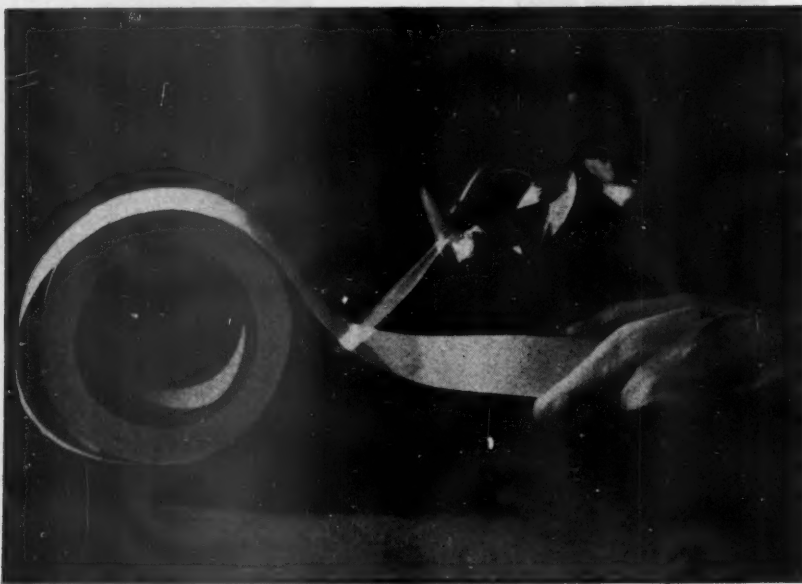


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NEW PRODUCTS



Tissue-Thin Insulator Stands Up in High Heat

This week a newcomer from Johns-Manville made its bow in the electrical-insulation field. Touted as an entirely new type of insulation, Quinterra has an asbestos base, is completely inorganic. It looks very much like paper, has a solid structure, comes in long lengths in rolls or tapes.

What makes the material unusual, say Manville engineers, is the fact that it holds its dielectric strength at extremely high temperatures. Actually, this strength increases, for a time, as the temperature goes up. For example, at normal room temperature, Quinterra has a dielectric strength of about 250 v.p.m. At 800 C, the material still retains this resistance climbs to about 400 v.p.m. At 800 C, the material still retains a dielectric of the order of 100 v.p.m.

Another big feature: Quinterra is nonflammable. Sheets of the material can be brought to bright red heat in a Bunsen-burner flame (picture, above) without igniting or melting. And, because the material is thin, Manville points out, equipment makers will be able to save space in new designs.

Manufacture of the insulation will be at a new plant built solely for its production at Tilton, N. H. Pilot plants have been turning out experimental runs for several years.

Made by a special paper-making process, the material can be varied in thickness from a tissue-thin 1.5 mils to 20 mils. (A mil is 0.001 in.) Initial production will be in thin sheets for electrical-wire insulation, and in slightly heavier sheets for layer insulation. Fu-

ture plans call for a wide range of thicknesses and laminates. The company address: 22 E. 40th St., New York 16.

• **Availability:** 3-mil thickness within three weeks; 1½-mil thickness in 2 months; all thicknesses by Oct. 15 (two to three weeks for delivery).

Stock Record Holder

Wholesalers often lose valuable sales time while clerks try to track down price cards and specification charts for a particular product. One way to keep such data on the stock shelves—where they belong—is to use the Rollafax. A long rectangular fixture (11 x 1 in.), it holds the price data sheets on a spring-mounted roller. All the clerk has to do is pull down the sheet (as he would pull down a window shade) to have the latest information at his finger tips.

The fixture fits on the underside of the shelf, takes up very little space. Sheets can be replaced quickly and easily. Paper to fit the Rollafax is tough, can be either printed or typewritten. The device is manufactured by M. E. Foster, 409 Lumber Exchange, Minneapolis.

• **Availability:** by Sept. 15.

Foam Rubber Slicer

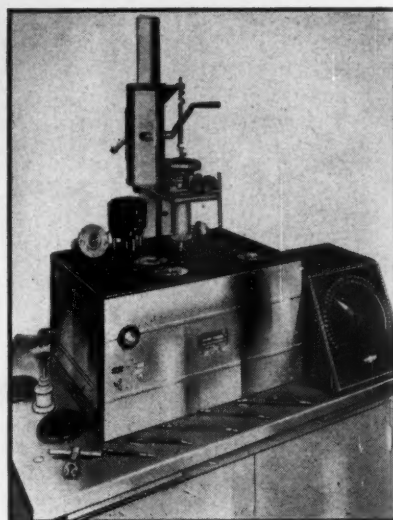
To speed the cutting of foam rubber into pieces for cushions, armrests, and vibration mounts, Falls Engineering & Machine Co. has developed a new machine. It takes sheets of the rubber up to 42 x 42 in., slices them to a thickness of ¼ in. Concave and convex cuts can

be made on the full width of the material by adjusting the table top of the machine.

Built on the structural steel frame are two band saw wheels mounted so that the saw blade moves horizontally. One wheel is driven by a ¾-hp. motor; the other is not powered. Adjustments for tensioning the saw blade are made on the second wheel. The saw blade is guarded except for the cutting edge.

The table top is wood, reinforced with angle iron. It passes under the saw blade on a roller carriage. The table can be raised or lowered with one hand wheel; two hand wheels control the degree of tilt. The manufacturer's address: 1734 S. Front St., Cuyahoga Falls, Ohio.

• **Availability:** six to eight weeks.



Flow Charter

Flow properties of many industrial products can be quickly and precisely measured on a new instrument announced by Interchemical Corp. The Precision-Interchemical Rotational Viscometer was designed particularly for measuring the flow characteristics of pigment dispersions (printing inks, paints, and industrial finishes). Other products, however, can be tested with equal ease, the company says. Among them: ceramic clays dispersed in water, glues, tooth paste, food products like applesauce and catsup.

The viscometer makes a consistency curve for the product instead of a single-point measurement. The material to be tested is put in a cup, and a spring-held bob (a weight or ball) is lowered into it. By electronic control the cup can be rotated at various speeds from 10 r.p.m. to 400 r.p.m. Rotation of the cup gives a viscous drag to the bob which twists the spring through angles measured on a graduated disk. The consistency curves are made in about three minutes.

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by changing the speed from low to high and back again, then plotting the deflections of the disk for each speed. From this curve, calculations are made to determine the flow properties of the material. The viscometer will be manufactured by Precision Scientific Co., 3737 W. Cortland St., Chicago.

• Availability: immediate.



Quick Spot Welder

Spot welding jobs in the shop or in the field can be speeded with a one-hand portable welder developed by A-C- Devices Co., 8006 Champlain Ave., Chicago 19. Weighing about 22 lb., the Big Shot welder will work in any position, on any kind of electrical current, the manufacturer says.

Up to the limit of its rating (2½ kva.), the welder will do all the jobs of the larger spot models, A-C- reports. With special tips it will weld aluminum sheet up to ¼ in. thick. The welder has a 12-ft. rubber-covered lead-in, ¾-in. reach tongs, adjustable tips of special copper alloy. It is completely insulated against electrical shock.

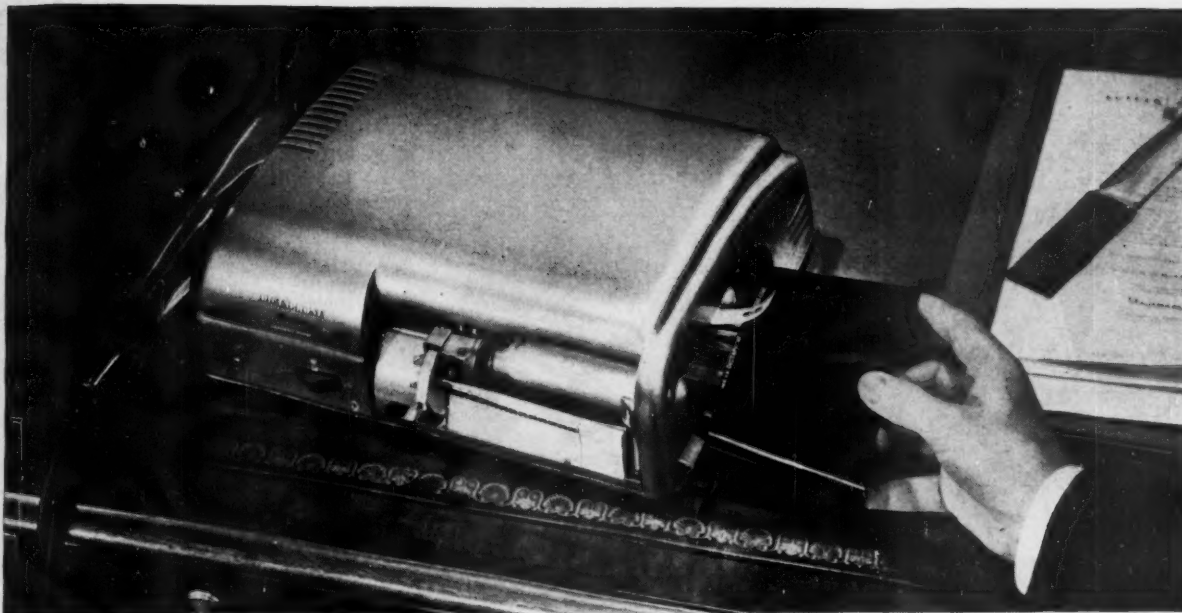
To weld, the operator puts the tip on the metal, presses down on the handle, then lifts the trigger switch until the weld is made. The job finished, he releases the handle and moves the welder to the next job.

• Availability: two weeks.

P. S.

Bar for upending steel drums uses a brace and grip for quick, easy lifts. The design cuts lifting force needed to 30% of the weight of the drum. The maker: Melooz Mfg. Co., 4730 Avalon Blvd., Los Angeles 11.

Centrifugal blower for oil and gas burners on industrial furnaces can be attached directly to the combustion equipment without couplings or unions. Flanges make the connection. The maker: Vapofier Corp., 10326 S. Throop St., Chicago 43.



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Furniture

Sirs:

We have read with a great deal of interest your story on the production of furniture [BW—Jun.26'48,p34]. You have done a splendid job in presenting the many problems confronting the industry and what they are doing to solve them. The Board of Directors, at its meeting today, directed that its sincere appreciation of this splendid article be extended to you.

RODNEY D. SCHOPPS

FURNITURE MANUFACTURERS ASSN.,
GRAND RAPIDS, MICH.

Sirs:

Your criticisms of the furniture industry were so tactful that they can hardly be considered as other than constructive. Your compliments were restrained to a point evidencing wise judgment and good taste.

ALVIN A. VOIT

PRESIDENT,
THE MENGEL CO.,
LOUISVILLE, KY.

Sirs:

You have written a splendid article fairly presenting the furniture manufacturing industry and its problems.

FREDERICK H. MUELLER

MUELLER FURNITURE CO.,
GRAND RAPIDS, MICH.

Sirs:

Your furniture article was interesting reading—pertinent and thought-stimulating.

It gave me a still higher regard for the evident effort required to get out a weekly magazine as comprehensive as *Business Week*.

H. V. THADEN

PRESIDENT-TREASURER,
THADEN-JORDAN FURNITURE CORP.,
ROANOKE, VA.

Sirs:

I think you have covered the furniture situation very well.

D. L. JORDAN

PRESIDENT,
JOHNSON-CARPER FURNITURE CO., INC.,
ROANOKE, VA.

Sirs:

Although you mention that Drexel is "up to its ears in research," I believe you would be pleasantly surprised at the progress that has been made during the brief period since your visit. Our laboratory is now in full swing and, even though we are not yet prepared to release any information on developments, this fresh approach to the solving of furniture manufacturing problems is

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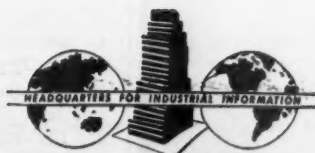
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P U B L I C A T I O N S

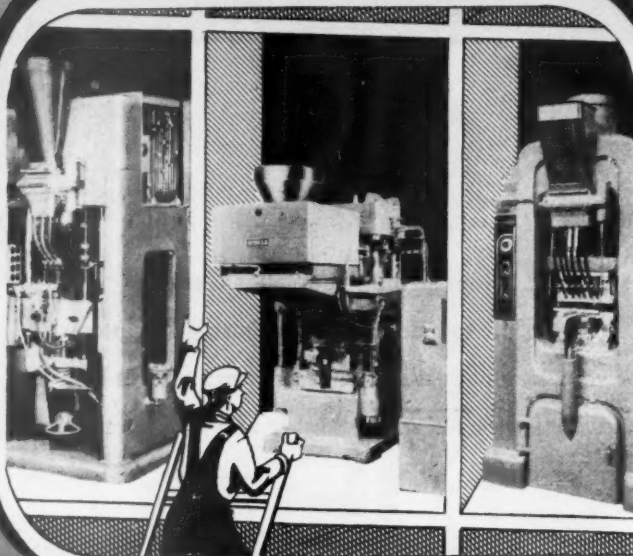
HEADQUARTERS FOR INDUSTRIAL INFORMATION

330 WEST 42nd STREET, NEW YORK 18, N. Y.



ASK
STOKES

You don't buy Plastic Molding Presses
"OFF THE SHELF"



SELECT the press which will make your product to your specifications at lowest cost for production and maintenance.

Such a method of choice will lead you to the Stokes organization . . . to the one press you need from the Stokes full line of plastic molding presses.

Stokes engineers are experienced in planning operations for profitable production on all kinds of presses . . . fully automatic, semi-automatic, closure, plunger . . . special presses for special needs . . . and plastic preforming equipment.

In addition to complete press

service, Stokes is prepared to supply you with product cost studies and advice on mold design. On automatic presses, Stokes breaks in new molds and sets machines for production . . . sends demonstrators to help you get started and to train your men for profitable operation.

You are invited to use this complete service by which Stokes answers your questions about molding presses. There is more to buying a press than picking one "off the shelf"

F. J. Stokes Machine Co., 5956 Tabor Road, Philadelphia 20, Pa.



Stokes also makes Automatic Plastic Molding Machines, Closure Presses, Preforming Presses, Powder Metal and Ceramic Presses, High Vacuum Processing Equipment

STOKES

KNOWS
HOW

proving highly satisfactory and profitable.

W. D. HARTMAN

DREXEL FURNITURE CO.,
DREXEL, N. C.

Minnesota Wants Steel

Sirs:

With reference to your report on the steel supply and distribution [BW—Jun. 19'48, p. 80], I believe one point could be added. In general, the purchaser of steel is getting his portion of added supply as a result of the increased demand and production; in particular, the purchaser of steel furthest removed from the mills is being starved.

The metal-working industry of this state of Minnesota—producer of a great bulk of the iron ore required by the steel manufacturer—is approaching a point of desperation. Due to the impetus of war, the demands of an active and enlarged local market, and the competence and productivity of capital and labor located here, the metal-working industries now employ more than the food industries, impossible as that statement may seem.

However, the typical manufacturer, making some agricultural implement such as a hay loader, has had his supply of steel from the manufacturer progressively reduced from 100% to 50%, to 20%. Pipe for wells is almost unobtainable. Sheet steel is procurable, for the most part, only from the gray market, though with growing frequency shipped direct from the mill at from 250% to 300% over list.

The Minnesota manufacturer using steel is mad. As president of the Mid-Continent Council of Development Agencies, I can testify that so, too, is the manufacturer in neighboring states located at some distance from steel-producing centers.

What particularly provokes us are the statements of the steel manufacturers, to wit: (1) "We are doing all we can," which is belied by the gray market shipments from their plants, and, (2) "We cannot be held responsible for dislocated industry," which is their way of telling us that because we are babes in industry we have no right to live.

Due to the location of the Mesabi iron range, Minnesota is by no means helpless. Recrimination and retaliation are injurious to all, and foreign to our natural inclinations. But, let this be considered a voice of warning, as well as of petition, addressed to those who wish no interruption of the free flow of high-grade, low-cost ferrous oxide annually traveling down the Great Lakes to Pittsburgh and points between.

J. W. CLARK

DEPT. OF BUSINESS RESEARCH & DEVLPT.,
STATE OF MINNESOTA
ST. PAUL, MINN.

MARKETING

Attack on High Wiring Costs

Appliance dealers, worried about size of installation charges on electric stoves, launch four-point program to bring them down. Cost to consumer of rewiring, etc., up more than 60% since prewar.

More electric stoves are being sold this year than ever before. In the first five months, 19 manufacturers who account for about 85% of total production sold 538,212 domestic electric ranges, says the National Electrical Manufacturers Assn. In the same period of 1947, their sales were 362,889.

• **Worry**—But the industry is far from happy. It is worrying over high installation costs—which may reduce sales some day, when accumulated demand slacks off. Last year, the average customer paid \$49 to have his electric range installed, according to Electrical Merchandising, a McGraw-Hill publication. That's an

increase of 63% over the \$30 he had to pay in 1940. And that \$49 represents only part of the total installation cost. Many local utilities pay part of the charge as an inducement to the customer; the total cost last year averaged \$77.

Most of this installation charge has to be spent on rewiring the house. Wiring in most houses—particularly old ones—can handle a maximum electric load of about 3 kw. The modern electric range with all burners on full uses from 7½ kw. to 12 kw. If you try to put 12 kw. through a wiring system built to handle only 3 kw., there's a good chance

The Facts about the Picketing At Gimbels Last Night

Last night there was mass political picketing at Gimbels Brothers store. This mass picketing was organized by the Greater New York CIO Council, which includes, among others, all the left-wing Department Store Union locals in New York. Many right-wing locals have withdrawn from the City CIO Council.

The mass picketing was directed against Gimbels because one of their executives under subpoena from a Sub-Committee of the United States House of Representatives, testified with respect to Communist infiltration into the leadership of certain Department Store Union locals.

The hearings of the Congressional Sub-Committee are being held pursuant to a letter of authority from the Committee on Education and Labor of the House of Representatives, dated June 25, 1948. This letter, which is a matter of public record, states:

"You and the members of your Sub-Committee are hereby authorized and directed to conduct a thorough study and investigation to determine to what extent Communists have infiltrated into labor organizations which serve the industries of the United States. You are further directed to ascertain whether or not the objectives, activities, methods and means used and proposed by

Communist leaders and labor organizations are in violation of any Federal Statutes and endanger powerful industrial relations between employers and employees, jeopardize our free enterprise system and threaten the security of our Government. * * *

Among the stores whose executives were subpoenaed, were Bloomingdale's, Macy's, Gimbels, Stern's, Namm's, Oppenheim Collins, Lane Bryant, and others. Testimony both by department store managements and union leaders is a matter of public record. The charge on the part of the local union leaders and their confederates in the Greater New York CIO Council that there was a conspiracy between the Congressional Sub-Committee and the department store managements to destroy these unions is an utter and complete falsehood.

The public should know that in singling out Gimbels for this attack the Greater New York CIO Council is endeavoring to coerce and intimidate witnesses called by a duly constituted Congressional Committee and coverts to testify. This tactic has one purpose only, and that is to conceal the facts and obscure the issues.

There is no labor dispute at Gimbels. The mass picketing was solely for a political purpose.

Bloomingdale's Gimbels Lane Bryant Macy's
Namm's Oppenheim Collins Saks Fifth Avenue Saks-34th

New York Competitors Rally Around Gimbels

Cooperation between Gimbels and Macy's is rarer than a Hatfield-McCoy wedding. But last week the two arch-rivals—and six other stores—took joint newspaper ads in a common cause: to protest the picketing of Gimbels by the leftist Greater New York C.I.O. Council. The stores said the picket-

ing was to intimidate store executives who had been subpoenaed by a congressional subcommittee. The committee is investigating Communist influences in New York store unions. The unions had another story: a union-busting conspiracy, they said, between store officials and the committee.

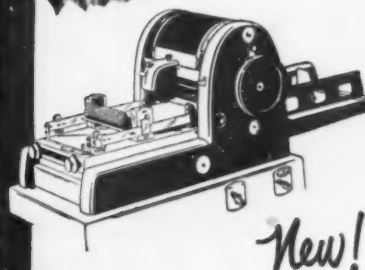
MANAGEMENT SAYS, "THAT'S FOR ME."



CLEAR
CRISP
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OPERATORS SAY, "THAT'S FOR ME."

QUICK
EASY



A. B. DICK "400" SERIES
MIMEOGRAPHS WITH

*Flexamatic Control**

New duplicating ease and speed. Designed for flexible, positive control of paper, ink and copy. For use with all makes of suitable stencil duplicating products. See these new models at your nearest A. B. Dick branch or distributor—listed in the phone book—or write for information. A. B. Dick Company, 720 West Jackson Boulevard, Chicago 6, Illinois. The Mimeograph Company, Ltd., Toronto, Canada.

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"the oldest name
in mimeographing"

THE AIR YOU BREATHE SHOULD BE AS PURE AS THE WATER YOU DRINK

Are you proud of your washrooms?

ILG VENTILATION

Have you visited your employee washrooms lately? Is the air fresh and clean, free from smoke, steam, odors, or excess heat? If not, it can be with little cost or trouble. An ILG Self-Cooled Motor Propeller Fan will change the air rapidly, providing a cool, sweet atmosphere your workers will appreciate. You will find good ventilation is good business! Send coupon or phone Branch Office (consult classified directory) for FREE ventilating survey.



EXCLUSIVE, PATENTED ILG SELF-COOLED MOTOR for Propeller Fans cleans itself, cools itself with fresh outside air. Never "gums-up"!

ILG ELECTRIC VENTILATING CO., 2888 N. Crawford Avenue
Chicago 41, Ill. Offices in more than 40 Principal Cities

☐ Make FREE Ventilating Survey ☐ Send new Condensed Catalog

Firm Name

Individual Title

Address Zone

City State



FREE: Colorful new Condensed Catalog & Data Book. Complete, concise, convenient—act today!

your house will burn down. So, before you can hook up an electric stove, that part of your wiring that runs from the street to your main fuse box, and from there to the stove, must be replaced.

• **Program**—To try to beat down high installation costs, the National Electrical Retailers Assn. is pushing a four-point economy program. The association wants:

(1) Adequate wiring in new houses. Most buildings being built today are badly underwired in the light of growing use of electrical appliances. Putting adequate wiring in at the time the house is built is much cheaper than replacing wiring later.

(2) "Pooling" of installations by contractors in a single city. If only a few contractors did all the installations (instead of each contractor doing a few), the specialists would be able to operate full-time installation departments, with specially trained men. The association feels that would cut costs a lot.

(3) Cooperation with local plumbers' and contractors' organizations in individual cities, to develop specialized cost-cutting programs.

(4) Modification of some city and state building codes as they apply to wiring. In many places, these local codes require safety precaution more stringent than the association thinks is necessary. It would like to see all codes standardized along the lines of the National Electric Code—the minimum safety standard of the National Board of Fire Underwriters for electric wiring. It is recommended by the National Fire Protection Assn., and is approved by the American Standards Assn.

• **"Gold-Plated City"**—One shining example today of high installation costs for electric ranges is Milwaukee. It's called "the gold-plated city" by outside electrical interests. Principal reason is the city building code; it requires, among other things, that a house with an electric stove must have its wiring laid in rigid steel conduits.

As a result, when a Milwaukee householder buys an electric range, he must pay from \$85 to \$115 to have it installed.

• **Campaign**—Early this year, the Milwaukee chapter of N.E.R.A. decided to try to do something about it. Its members felt that their sales of ranges were being held back by high wiring costs. So they told their story in local newspapers in paid advertising space.

One immediate result was not quite what they had hoped for: The local electrical contractors felt that the ads made them the scapegoats. So they replied—also in paid space. For a while, the air was full of charges and countercharges. And the main issue—revision of the city building code—was almost lost sight of in the melee.

• **Council Said "No"**—But by last week the two groups had managed to get to

gether. Both petitioned the city council for revision of the wiring section of the local code, so that wiring costs could be reduced. The council turned them down, but left the door open for future dickering. The entire building code is in process of revision, the council said, so this fall both groups can suggest changes to bring its wiring provisions in line with the National Electrical Code.

The catch in all this, according to the retailers, is that the code has been in the revision stage for several years. So they feel they are getting the political run-around.

If the Milwaukee campaign succeeds, the present code requirement that rigid steel conduit be used would be dropped. In its place, the code would permit use of cable. This would mean big savings in both material and labor costs. Another advantage: Many houses built in recent years are already equipped with cable; they would not have to be rewired at all.

• **Low-Cost Areas**—Perhaps the biggest success in holding down installation cost to the customer has been in Chicago and Detroit. The jobs have been done without reference to the building code in either city—but they weren't too tough to begin with.

Chicago's electric utility, Commonwealth Edison Co., supervises a big pooling operation. For one-, two-, and three-family houses, installation is free. On ranges sold by the company itself, one of two contractors does the installation, and gets paid by Edison. For a one-family house he gets \$34.50; for a two-family house, \$44.50; for a three-family house, \$55. For installing an electric water-heater he gets \$72.50, which includes both wiring and plumbing. The two contractors specialize in this work, which cuts cost per job. And they find that their costs average out: Easy jobs offset those that cost more than Edison allows.

• **Others, Too**—The two contractors will also install for other retailers—and they get the same allowance from Edison. There is no compulsion here; the allowance is also paid to any other contractor who does an installation. But the tendency has been for most retailers to give the two specialists almost all installation business—just because they are specialists.

This free-installation plan covers only about 40% of the dwelling units in the city. For apartments, Edison has a different plan. It makes the apartment owner a flat allowance of \$45 for a range installation. The owner makes his own deal with a contractor, pays any cost over the Edison allowance himself.

Edison started this plan in 1937. Reason it has not dropped it despite the power pinch: Cooking load is off-peak load. In other words, ranges need current at those hours of the day when gen-

FAMOUS QUOTES

HISTORICALLY SPEAKING
**"DELEND A EST
 CARTHAGO"***

GENERALLY SPEAKING
**"the container is part
 of the product"**

And a mighty important part indeed! Important because General Engineered Shipping Containers are designed specifically for the product. They are compact and lightweight—no space or weight is wasted. They support and protect the product.

Furthermore, frequently the product and the container can "roll" down the production line together, as a unit. Result: you save man-hours and increase production.

Our engineers will be glad to study your packing problems. Write today. Also send for your free copy of the current issue of "The General Box."

*Marcus Porcius Cato (234-149 B. C.) senior Roman Senator, concluded many major speeches with the ringing warning that, "Carthage must be destroyed."

GENERAL BOX COMPANY ..engineered shipping containers

GENERAL OFFICES: 502 N. Dearborn St., Chicago 10, Ill.

DISTRICT OFFICES AND PLANTS: Brooklyn, Cincinnati, Detroit, East St. Louis, Kansas City, Louisville, Milwaukee, New Orleans, Sheboygan, Winchendon, Natchez.

Continental Box Company, Inc.: Houston, Dallas.



General Wirebound Crate



General Nailed Box



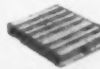
General Cleated Corrugated Container



General All-Bound Box

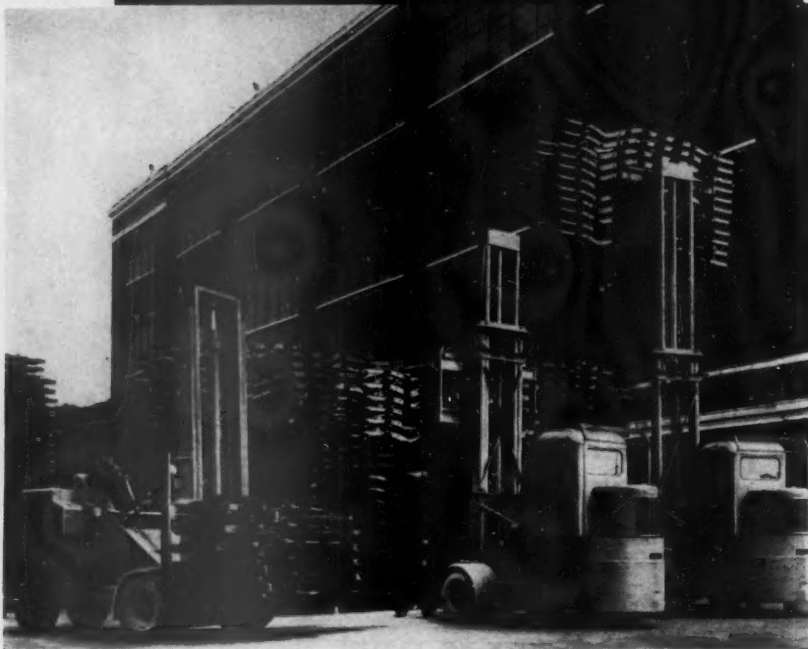


General Corrugated Box



General Lift Pallet

ROSS HEAVY DUTY LIFT TRUCKS



**chosen by A. O. SMITH CORPORATION,
nationally known manufacturer,
to handle automobile frames**

Cost of handling automobile frames has been drastically reduced since installation of ROSS Lift Trucks at A. O. Smith Corporation, Milwaukee, Wisconsin. Formerly handled singly, one man and a ROSS Lift Truck now handle and stack the bulky frames in unit loads of six or more at a time! And the job is done with far greater safety because the need for cable-riggers on the pile has been eliminated.

Hydraulic steering makes the operator's job easier and pneumatic tires assure all-weather indoor-outdoor operation.

ROSS Lift Trucks can simplify your handling problems and reduce your costs even as they have done for A. O. Smith Corporation. Get all the facts.



THE ROSS CARRIER CO.

300 MILLER STREET, BENTON HARBOR, MICHIGAN, U.S.A.
Direct Factory Branches and Distributors Throughout the World

erating equipment isn't working at full capacity anyhow. So range load doesn't worsen the power shortage.

• **Detroit Cost**—In Detroit, a single contractor installs the bulk of the electric ranges. The customer pays the contractor a flat fee of \$38.75. The exact arrangement between Detroit Edison Co. and this contractor is unknown. But some industry observers feel that the flat charge of \$38.75 is less than the actual cost of the average installation.

• **Fewer Subsidies**—Before the war, many local utilities underwrote part or all of the cost of installation. Only a few do today. There are two reasons why the others have dropped it:

(1) They felt that it was poor public relations to subsidize new load at a time when newspaper headlines were screaming about power shortages.

(2) Many state utility commissions have recently refused to allow such subsidies as a legitimate business expense.

• **Holdouts**—Among the companies that still make installation allowances:

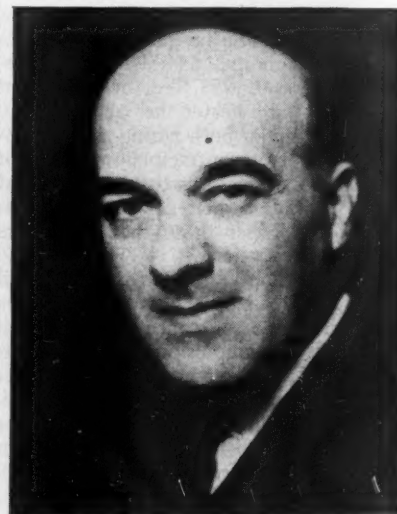
Boston Edison Co.—\$40 on a range; \$50 on a water-heater.

Indianapolis Power & Light Co.—up to \$45 on a range; up to \$30 on a water-heater.

New York State Electric & Gas Co.—\$15 on each.

Plymouth County (Mass.) Electric Co.—up to \$30 on a range; up to \$10 on a water-heater.

Public Service Co. of Oklahoma—up



Retail Consultant

Rising department store costs (page 52) are widening the field for retail doctors. Intent to hang out his shingle is Joseph J. Thuch, previously assistant to the president of Goldblatt Brothers (Chicago), and before that vice-president and controller of R. H. Macy & Co. (New York). His service will cover merchandising, operations, expense control, budgets, organization.

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Union Electric Co. of Missouri—up to \$40 on a range; up to \$25 on a water-heater.

Consumers' Public Power District, Nebraska—up to \$30 on each.

Los Angeles municipal system—\$35 on whichever is installed first; \$10 on the other when it is installed.

• **Pooling Helped**—In San Francisco, right after the war, it cost the owner of a one-family house about \$110 to install a range. Today the charge is down to \$75. Reason: Local retailers and contractors agreed to channel all installations through two contractors.

One of these later dropped out of the deal; he couldn't make a profit on \$75 installations. But the other one is making a go of it despite high costs: \$30 for materials; \$22 a day for labor; plus the cost of keeping one truck equipped for the service and the sharp postwar rise in overhead.

• **Code Hurts**—Louisville, Ky., has a strict local building code. So the cost of installing an electric range within city limits has been around \$75 for some time. But outside the city it costs much less—because the suburbs are under the National Electrical Code.

Retailers in Louisville are fighting for a more liberal local code. To boost sales inside the city, a few have been kicking back part of the sales price to customers to cover some of the installation charge. But this "salting" is far from general.

Louisville contractors were asked to join in a pooling arrangement, like those which have worked out so well in Chicago, Detroit, and San Francisco. Their reply: It doesn't work anywhere but in the very big cities. For proof, they point to nearby Cincinnati; contractors there had to give up installation pooling when they found that pool prices tended to go right back up to the levels that existed before pooling.

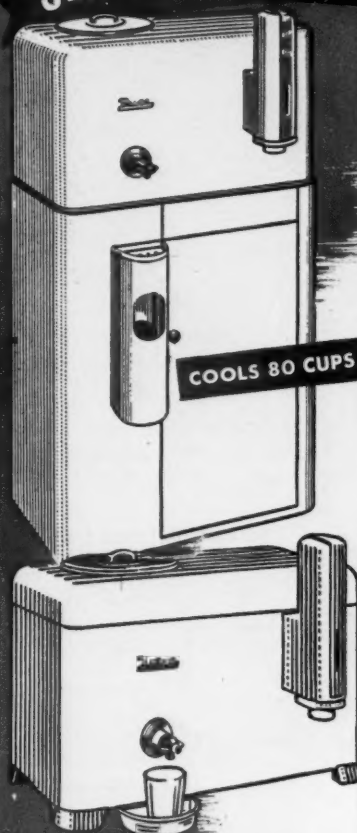
• **Other Cities**—Here's the way the situation shapes up in some other cities:

In Wilmington, Del., the charge for installing a range varies from \$40 to \$75. Some retailers complain that contractors are demanding a kickback from them before agreeing to install a range—in addition to the regular charge, which they collect from the customer.

In Rochester, N. Y., it costs about \$65 to install a range. Contractors here blame high labor costs principally (electricians recently got a 15¢ hourly wage boost). Contractors have turned down a suggestion that they pool installations; they say it "sounds like socialized medicine."

In Dallas, fewer electric ranges have been sold this year than last, because of the power shortage. This has tended to boost installation charges, which now range from \$35 to \$100, average about \$60.

SENSATIONAL NEW CONVENIENCE!



NORGE PORTABLE WATER COOLER

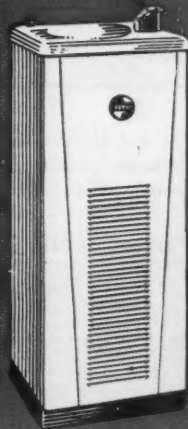
COOLS 80 CUPS OF WATER EVERY HOUR

ELECTRIC WATER BOY

Norge Rollator refrigeration chills water to constant temperature. Costs just a few pennies a day. Portable—no plumbing—just plug in any electric outlet. 5-quart built-in reservoir—use with or without water bottle. Smartly styled, sturdy steel construction. Includes cup dispenser and drip pan. Matching cabinet (extra) provides for convenient disposal of used cups and waste water. Ideal for offices, lobbies, reception rooms, stores, filling stations, etc.

NORGE PRESSURE TYPE WATER COOLER

Modern, streamlined, with cabinet of heavy gauge steel, finished in golden-tan. Norge Rollator refrigeration. Base is recessed for toe-room. Sanitary top is beautiful, light-tan porcelain. Easily cleaned. No-splash top. Used in factories, buildings and restaurants everywhere.

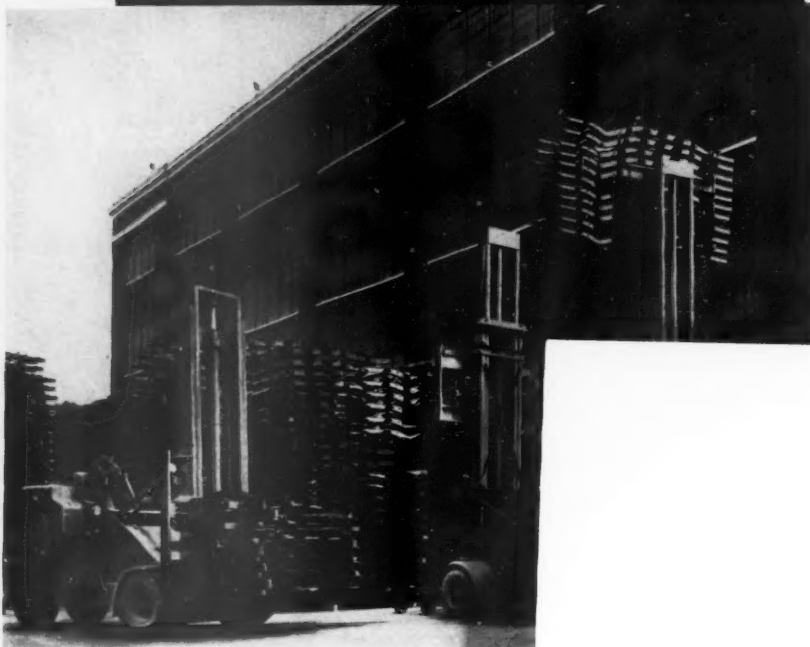


**COOLS
10 GALLONS
OF WATER
EVERY
HOUR**

Great engineering and huge facilities are the natural outgrowth of Norge's long years of refrigeration pioneering. Whatever your water cooling requirements, your Norge dealer can help you. Remember: "The Best Dealers in Town Sell Norge!" • Norge Division, Borg-Warner Corp., Detroit 26. In Canada: Addison Industries, Ltd., Toronto, Ont.

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LIGHT PRINT



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GHT
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PORTABLE
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COOLS 80 CUPS OF WATER EVERY HOUR

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**COOLS
GALLONS
OF WATER
EVERY
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Great engineering and huge facilities are the natural outgrowth of Norge's long years of refrigeration pioneering. Whatever your water cooling requirements, your Norge dealer can help you. Remember: "The Best Dealers in Town Sell Norge!" • Norge Division, Borg-Warner Corp., Detroit 26. In Canada: Addison Industries, Ltd., Toronto, Ont.



**SEE
NORGE
BEFORE YOU BUY**



CHAIN

for every need

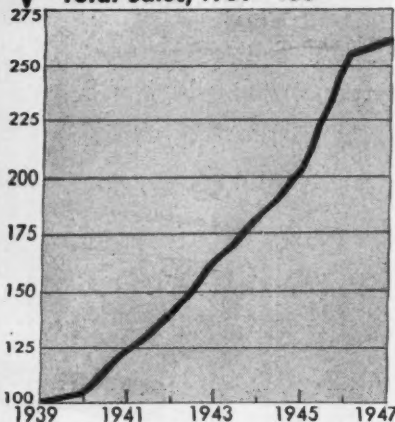
- INDUSTRIAL • MARINE
- FARM • AUTOMOTIVE

**INTERNATIONAL
CHAIN & MFG. CO.**

YORK, PENNA.

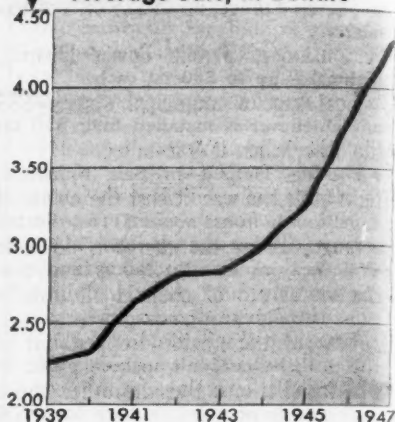
The Department Store Problem

✓ Total Sales, 1939=100



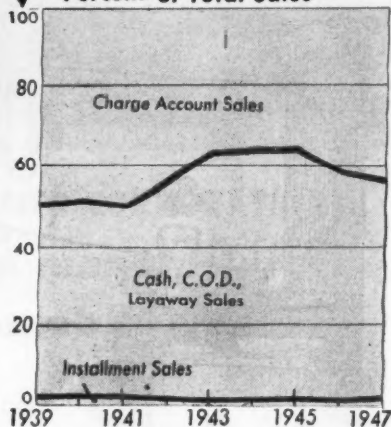
1 Department store sales continued to climb in 1947, according to Harvard University's Malcolm P. McNair . . .

✓ Average Sale, in Dollars



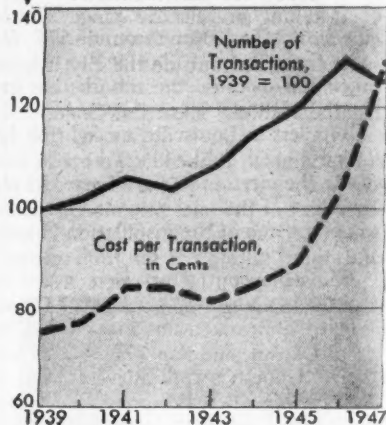
2 His annual survey, released last week, shows that the average sales slip grew again in 1947, beating 1946 by 41¢ but . . .

✓ Percent of Total Sales



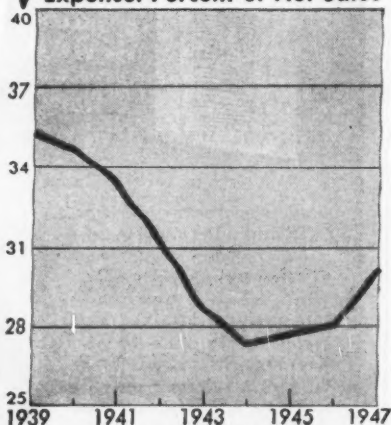
3 Cash, C.O.D., and layaway sales were squeezed as charge account (and installment) sales gained, while . . .

✓ Transactions vs. Costs



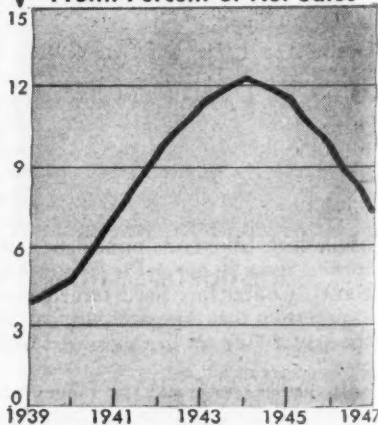
4 The number of transactions (for 13 identical companies) declined, and the cost of each transaction rose. So . . .

✓ Expense: Percent of Net Sales



5 The ratio of expense to net sales jumped from 28.1% to 30.1%—sharpest rise since 1932, and . . .

✓ Profit: Percent of Net Sales



6 Net profits (before the federal government took its slice of taxes) slipped downward for the third year in a row



FIBERGLAS*

...silent partner in cool, clean air conditioning!

Wherever you find the welcome, refreshing comfort of air conditioning, there, too, you'll probably find Fiberglas. For air conditioners of almost every type—room-size units, larger "packages" and big central systems—*clean* the air as well as *cool* it. In most systems, this cleaning is done with DUST-STOP Replacement-Type Air Filters, a Fiberglas product.

High dirt-catching efficiency and compactness are outstanding reasons for DUST-STOP's popularity, along with their ready availability everywhere and their low cost of replacement.

Only DUST-STOP has a filter pack made of Fiberglas. Being glass, it has no odor, is un-

affected by moisture in the air. And because these fibers are so fine, they permit air to pass freely, yet provide tremendous surface area for the viscous adhesive that catches and holds the dirt. Too, this adhesive, exclusively DUST-STOP's, has no odor and will not evaporate. It soaks quickly into particles of impinged dust—an action that maintains the filter's high effectiveness, even when heavily loaded.

DUST-STOP Air Filters are made in a wide variety of sizes for practically every air-conditioning application. For further information, write Owens-Corning Fiberglas Corporation, Dept. 803, Toledo 1, Ohio.

In Canada: Fiberglas Canada Ltd., Toronto, Ontario

Photo of room air conditioner, courtesy of Carrier Corporation, Syracuse, New York

OWENS-CORNING

FIBERGLAS

U.S. PAT. OFF.

DUST-STOP
AIR FILTERS

*FIBERGLAS is the trade-mark (Reg. U.S. Pat. Off.) for a variety of products made of or with glass fibers by Owens-Corning Fiberglas Corporation.

From ancient history...



TO HISTORY *in the making*

Popular parlor diversion of the 90's was the stereoscope. Many a courtship was conducted against its three-dimensional background of the world's historic wonders. A simple affair, the twin-lensed stereoscope presented few manufacturing problems.

Today, television brings into our homes famous people in the very act of making history. It also brings a staggering array of technical problems, which leading manufacturers are solving with the aid of United-Carr and its subsidiaries. A few of the many electronic devices we are currently supplying to the radio and television industry are shown at the right.

Whatever you manufacture, you may be reasonably certain that somewhere there is a place for United-Carr products — products designed specifically to speed production, cut costs, help make finer finished articles. Our design engineers are at your command. Remember, "Little things make a big difference." United-Carr Fastener Corp., Cambridge 42, Massachusetts.

UNITED-CARR FASTENER CORP.

MAKERS OF

DOT

FASTENERS



SAFETY PLUG



GROUNDING CUP



LEADED TUBE SHIELD



DUO-DECAL SOCKET

Marketing Picture

Three developments highlighted the marketing picture this week:

• **FTC Acts**—The Federal Trade Commission made it clear that it is going to blaze away at "exclusive dealing" contracts—taking advantage of the victory the Justice Dept. won recently in a U. S. District Court in a suit against Standard Oil Co. of California (BW—Jun. 12 '48, p. 24).

FTC's present target is Gamble-Skogmo, Inc., big midwestern retail chain. FTC says the company lessens competition and creates a monopoly by selling its merchandise to 1,600 associated retail stores only on condition that the stores agree not to deal in any similar merchandise of Gamble-Skogmo's competitors.

Many a manufacturer and distributor with contracts like this will be wondering if his industry might be next on the FTC target list.

• **Antitrust**—The Justice Dept. stepped up its antitrust drive on three fronts—paint, eggs, and cast-iron pipe.

In Pittsburgh, 14 paint manufacturers and some of their officers were indicted by a federal grand jury on price-fixing charges. The indictments charge that the defendants eliminated price competition by agreeing to fix and stabilize prices—thereby boosting the price of paint.

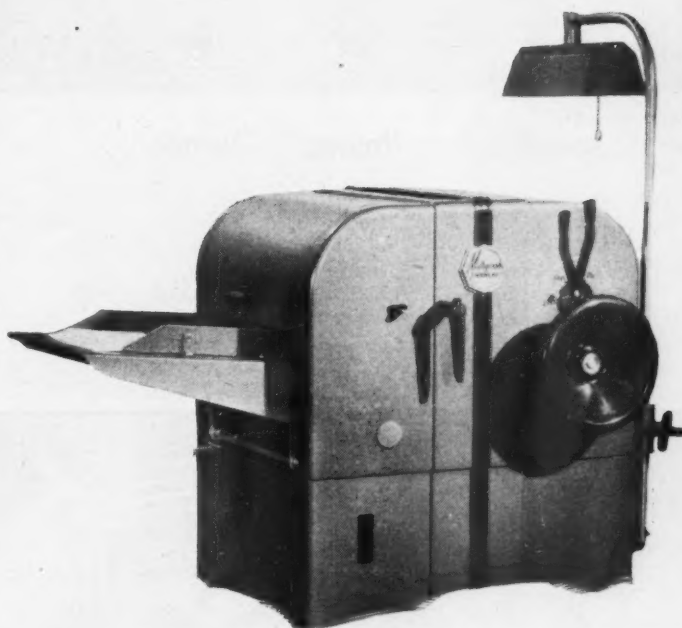
The defendant companies: American-Marietta Co.; Columbus Varnish Co.; Cook Paint & Varnish Co.; Devoe & Reynolds Co.; E. I. du Pont de Nemours & Co.; General Paint Corp.; Glidden Co.; Grand Rapids Varnish Co.; Interchemical Corp.; Lilly Varnish Co. and its subsidiary, the Lilly Co.; Pittsburgh Plate Glass Co.; Sherwin-Williams Co.; Southern Varnish Corp.

In Boston, the department filed civil suit against the Boston Fruit & Produce Exchange and 12 egg dealers. The charge: conspiracy to fix egg prices throughout New England.

In Trenton, N. J., a U. S. District Court judge entered a consent decree against five leaders of the cast-iron pressure pipe industry. The judgment cancels all existing lease-license agreements among the defendants, and enjoins them from making any similar agreements in the future. One of the defendants, U. S. Pipe & Foundry Co., will be particularly hard hit: It must license its 50 patents free to all comers in the future.

• **Sears Expands**—Sears, Roebuck & Co. announced plans to build its 12th mail-order warehouse and shipping center. The new building, which will also house a big retail store, will be erected on a 36-acre site northwest of the business section of Columbus, Ohio. Construction will not start until next year.

She's celebrating her Paper Anniversary



IT'S a year-in, year-out partnership when Multigraph methods go to work in an office. From that moment on, paperwork becomes *streamlined*. The problem of making enough legible copies by handwriting, typing, or old-fashioned duplicating methods is banished.

The modern Multigraph way, you write just *once* (with pen, pencil or any writing machine) on a *single* master-sheet. Errors? Erase and rewrite as you would on paper. Then *one* duplicating operation quickly changes blank paper into clean, clear copies of business records—with form and added information *completely reproduced*.

Multigraph methods have many advantages and applications to speed paperwork in any business, large or small. To learn more about them, phone our nearest office, or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio.

Multigraph

TRADE-MARK REG. U.S. PAT. OFF.

SIMPLIFIED BUSINESS METHODS

Multilith, Systemat and Multigraph are Registered Trade Marks of Addressograph-Multigraph Corporation

BLANK PAPER +



MULTILITH
MASTERS



Complete
Business
Records

INDUSTRIAL "Treasure" ON THE MISSISSIPPI GULF COAST



It's a legend that Jean Lafite's treasure is buried on the Mississippi Gulf Coast. It's a fact that plentiful natural gas fuel, ample electric power, raw materials, friendly labor, adequate transportation, pure water and healthful climate—all industrial treasures—are readily accessible, making the Mississippi Gulf Coast a treasure chest of choice industrial sites. Investigate our dispersion advantages. Write the Chambers of Commerce in . . .



MISSISSIPPI GULF COAST

You should be
among the

12,000

Industrial Executives
and
Plant Operating Officials
who will see and learn of
UP-TO-THE-MINUTE Steel
Mill Equipment, Supplies and Services.

at the 1948
IRON & STEEL EXPOSITION

CLEVELAND PUBLIC AUDITORIUM
CLEVELAND, OHIO
Sept. 28, 29, 30, Oct. 1, 1948

sponsored by
ASSOCIATION OF IRON & STEEL ENGINEERS
1010 Empire Building, Pittsburgh, Pa.
ATLantic 6323

PICTURE REPORT



Car Hospitalization Protects Owner . . .

This new car owner, driving his auto from the dealer's garage, has just signed up for "Carlisle Guaranty"—a kind of car-hospitalization insurance. It guarantees his car against any mechanical defects or abnormal wear for two years or 25,000 miles; it costs him \$10 to \$17, depending on the price of his car. The

car owner must bring his car in every 1,000 miles (or each month) for servicing. (Owner pays for normal maintenance costs.)

This system is the brainchild of George M. Taylor, Detroit Dodge dealer. His Carlisle Guaranty Co. has sold the plan to more than 500 dealers.



. . . And Builds New Business for Dealer

A dealer keeps track of Carlisle monthly checkups on this "pursuit board." His participation in the plan nets him: (1) a small profit on the owner's fee; (2) a steady sale of oil, grease, tires, and accessories; and—eventually—(3) a fat commission from the resale

of a used car in very good condition.

Carlisle is now pushing a vigorous promotional campaign to sell the system to 10,000 dealers throughout the U. S. this year. Dealers get franchise rights and basic Carlisle Guaranty kits for \$385. Supplementary packages cost \$100.



Enter, the Perfectly Groomed Typewriter...

Styled by Remington Rand

"Make-up" by Zapon Metalite Finishes

SHE's a beauty, this new Remington Quiet DeLuxe KMC—with her two-toned gray "sales appeal" look. Her looks do credit to her mechanical superiority—reflecting a step ahead for a famous name in typewriters. You can practically *see* that she'll operate efficiently—her smooth, flawless Zapon Metalite finish proclaims her performance.

The KMC's finishing scheme took *everything* into consideration. Remington wanted an eye-*resting*, glare-free finish that would accelerate the typist's efficiency. They specified a neutral color that would blend into any type of office setting. They wanted a durable finish with a longer lasting color—a finish that would protect

their product. Remington Rand conceived a brilliant, all-inclusive finishing scheme.

Atlas offered Zapon Metalites and Zapon Metalites carried out the manufacturer's concept to perfection.

Your metal finishing problem may center around office equipment, home appliances, electrical devices—or toys and gadgets. It may call for quiet tones or brilliant ones. Protection may be more important in your instance than color. But typewriters, tools, toys or taximeters—you can count on easy-to-apply, easy-to-clean Zapon Metalites to provide distinctive sales appeal—an appeal that stays put under the wear and tear of daily use.

For Finishes, address Atlas Powder Company at Stamford, Conn., or North Chicago, Ill.

Zapon: Reg. U. S. Pat. Off.

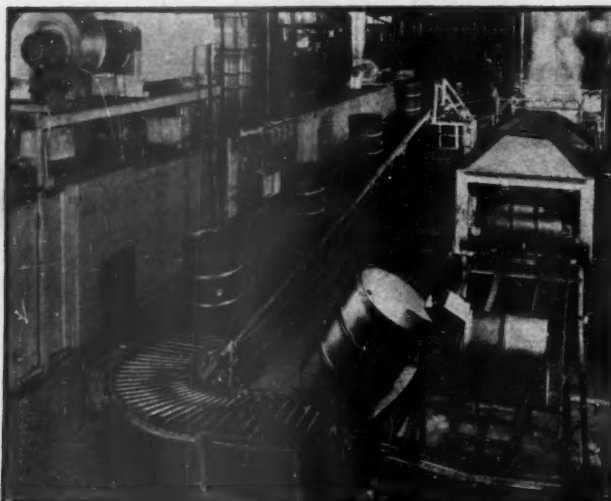


ATLAS

POWDER COMPANY
WILMINGTON 99, DELAWARE
Offices in Principal Cities

Industrial Explosives • Industrial Finishes • Coated Fabrics • Acids
Activated Carbons • Industrial Chemicals

FINANCE



STEEL DRUMS are still a Rheem staple, but its stress on . . .



HOT WATER HEATERS and other appliances shows that . . .

Rheem Is Out to Build a Household Name

The company has made its mark with industry here and abroad. Now it wants consumers to know about its appliances.

There is nothing complicated about a steel drum. Essentially a drum is three pieces of thin steel wrapped around a column of air.

The air is an inescapable component. It makes Rheem Mfg. Co. build drums in Chicago, New Orleans, and Baltimore, when it might be simpler to center everything at the home plant in Richmond, Calif.

• **Simple Economics**—But you can go broke paying freight on the air in an empty drum. Ship enough sheet steel for 2,400 oil drums from Chicago to San Francisco and your bill is \$1,608. Ship the drums instead and it costs \$3,036.

Arithmetic of that kind dictated Rheem's decentralization, a process that has been going on for 17 years. The company started with a little job galvanizing plant on the shores of San Francisco Bay; now it has branch factories in nine marketing areas around the U.S., and in Australia, Singapore, Canada, and Brazil as well.

• **Dutch Plant**—This week president Richard S. Rheem (cover) announced plans for still another foreign drum plant: At Zaandam, Holland—a suburb of Amsterdam—Rheem Evenblij N. V. will make drums to supply the \$18-million refinery that Cal-Tex Oil is building near Rotterdam to handle its Middle East crude. The Zaandam plant (BW-May 15 '48, p124) is expected to be in production by late summer; it will use sheet steel supplied by Bene-

lux, the Belgium-Netherlands-Luxembourg customs union.

• **Good Business**—The new facilities in the Netherlands will lift the total of Rheem's foreign plants to nine. Rheem has at least a half interest in each; resident nationals own the rest.

Up to now Rheem's foreign works have been frosting on the cake. Before stepping into Holland the company had invested \$886,000 in foreign plants. Last year, the investment (now worth more than twice that much but still carried on the books at cost) returned \$209,000 in dividends, around 23½%. Counting earlier dividends, the investment has been more than returned.

• **Fast Growth**—Not long ago, dividend income of this size would have represented a sizable portion of Rheem's total earnings. But thanks to the stimulation of armament orders, its annual profit went from \$277,000 in 1938 to between \$1.3-million and \$1.5-million in 1943-45. And in 1946—despite a 57% drop in sales—profits available for dividends came to \$1.2-million.

Last year, sales zoomed past \$60-million—more than 50% above the 1946 level. Profits shot up to \$3.6-million. After preferred dividends, earnings equaled \$3.48 a share of common stock.

• **Healthy Condition**—Resources at the close of 1947 totaled close to \$30-million. Fixed assets accounted for less than \$11.1-million of that. Cash and receivables alone more than covered all its current liabilities. And Rheem has

\$11.1-million in working capital. Its surplus exceeds \$19.8-million.

The price range of Rheem common stock since 1943 (when it went on the New York Stock Exchange) has been \$38 to \$12.25. It's now around \$22. Dividends on the common were \$1.15 last year; now the stock's on a \$2 annual basis.

• **Water Heaters and Tanks**—Rheem has been so closely identified with steel drums and pails that it's usually a jolt, even to investors, to learn that Rheem also makes more water heaters and tanks for water heaters than any other company in the world.

One reason for the obscurity of appliances in the Rheem line is that until just before the war, 80% of Rheem water heaters were built for private labels. East of the Sierras the name meant little to consumers or jobbers.

• **Building a Name**—Now the company is spending \$1.5-million a year in advertising, sales promotion, and merchandising aids to build up the Rheem label with consumers, jobbers, plumbers, and appliance dealers. Rheem is still building water heaters for four or five prominent trade labels, and tanks for 25 other heater manufacturers. But the company no longer supplies the big mail-order houses.

The appliance line embraces gas, oil, and electric water heaters, water softeners, gas- and oil-fired furnaces and heating units, stokers, septic tanks, range boilers. And it may one day include ranges and refrigerators.

• **Creeping Up**—The emphasis on appliance sales is reflected in the sales pattern. Steel drums and shipping pails

accounted for 77% of Rheem's dollar volume in 1940. Last year only 37% was in shipping containers, the rest in appliances.

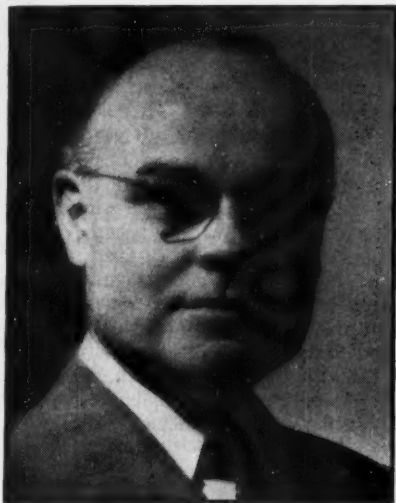
One drawback for drums, of course, is that they have to compete with autos and other consumer products for scarce flat-rolled steel. Solely because of the steel shortage, Rheem is making only 60% of its drum potential. On the other hand, drums are "clean" business. Big users are solid-gold credit risks. There is no inventory or warehousing problem, because drums and pails are built to customer specifications.

• **First Effort**—How Dick Rheem and his brothers, Don and Bill, got into the drum business in the first place is a challenge to the law of probabilities. Donald L. Rheem is executive vice-president, William K. is a director; Dick is the youngest. Their father, the late William S. Rheem, went to the

they clicked. In a year or so they were building their own drums.

Dick Rheem was 25 and Don 27 when the realities of free enterprise caught up with them in 1928. Competition for the lucrative California oil drum business was lively. The oil companies loved it. But one drum competitor, Boyle Mfg. Co. of Los Angeles, got hold of some German steel at a price about a third under the going domestic rate. Boyle set a drum price that blew the Rheems out of the way.

• **Off the Hook**—It looked liked the final curtain, but the brothers were determined to go down fighting. They could assume that the oil companies wouldn't relish a drum monopoly in anybody's hands. So they laid their cards on the table at Shell Oil. Shell got the point right away. And so did Standard of California. From both companies the brothers got exclusive cost-



BROTHER William K. Rheem (left) is a director of the Rheem Mfg. Co., while another brother, **Donald L. (right)** is executive vice-president and a director

Pacific Coast from Indiana to build Standard Oil's first California refinery in Richmond. He later became president of Standard of California.

On his death in 1919 the three sons hence were in no position to establish a rags-to-riches tradition in the family. Dick and Don corrected that condition by investing their inheritance in a construction grip-tack business—and going broke.

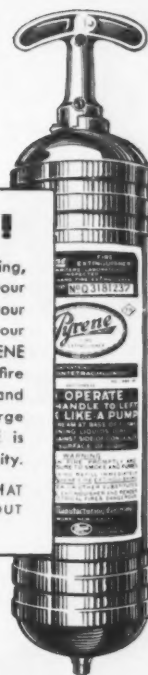
A less determined youngster would have accepted his fate and found a soft berth at Standard of California. If he had no other qualifications, Richard Scofield Rheem was perpetuating two names that struck sparks at Standard—his father's and that of D. G. Scofield, the first president.

• **Another Try**—Dick chose instead to stick out his chin again. With money borrowed from their mother and from brother Bill, Dick and Don went into the job galvanizing business. This time

plus contracts to supply drums for five years.

But that was only half the battle. Rheem still needed steel—at a price that would make Shell and Standard happy with their cost-plus drum contracts. Dick Rheem shopped around a bit before he found somebody at Bethlehem Steel who could see long-term advantage for the steel supplier in those five-year contracts with the oil companies. Bethlehem agreed to meet the foreign competition, and the brothers were off the hook.

• **Bethlehem Ties**—There has been a strong bond between Bethlehem and Rheem ever since. As the big steel companies began to absorb independent drum makers in the mid-thirties (U. S. Steel bought Boyle in 1936), Bethlehem offered to buy out the Rheem brothers and hire them to manage drum production. But the brothers couldn't give up the business into which they had poured



DANGER!

Without a second's warning, fire may break out in your office, your plant, or your home. Quick! Grab your PYRENE! There are PYRENE extinguishers for every fire hazard—including manual and automatic systems for large industrial plants. PYRENE is distributed in your community.

FREE! Send for bulletin: "WHAT YOU SHOULD KNOW ABOUT FIRE EXTINGUISHERS."



*T. M. Reg. U. S. Pat. Off.

PRECISION-MADE FOR SURE PROTECTION

Pyrene Manufacturing Company

577 Belmont Ave., Newark 8, N. J.

Affiliated with C-O-Two Fire Equipment Co.

Have You Tested Your Fire Extinguishers Lately?

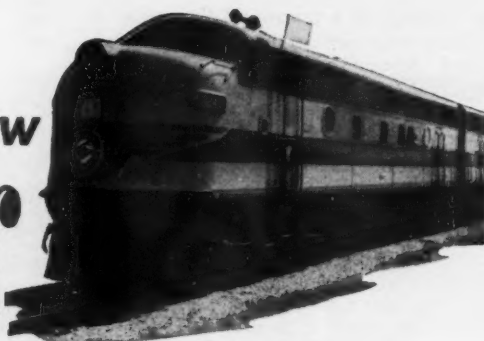
FOR MAXIMUM PROTECTION PITTSBURGH CHAIN LINK FENCE

Your property, your equipment, are protected against thieves, meddlers, and the curious when Pittsburgh Chain Link Fence is on the job. Also the coming and going of your own employees is regulated which in itself can save you money both in time and material. We have been planning and erecting good fence for many years—our experts will be glad to give you advice and a cost estimate. Write to Pittsburgh Steel Co., 3249 Grant Building, Pittsburgh 30, Pa.



PITTSBURGH STEEL COMPANY

MORE NEW Power



FOR M. & ST. L. FAST FREIGHT!

This new Diesel locomotive is one of three of identical modern type added to fleets of the Minneapolis & St. Louis Railway already in 1948, increasing its pool of Diesel power to 41 engines.

This locomotive, generating 3,000 horsepower in its two units, is one of the most efficient transportation machines ever built. It pulls long, heavy freight trains at high sustained speeds on heavy-duty tracks over gently rolling prairies of the Midwest. Along with more than a thousand new cars acquired in the last few months, it will help the M. & St. L. maintain its 77-year reputation for



Fast. Dependable Freight Service

The Minneapolis & St. Louis Railway

TRAFFIC OFFICES IN 36 KEY CITIES
LINKED BY TELETYPEWRITER SERVICE

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

167,955 Shares

S. S. Kresge Company

Common Stock

\$10.00 Par Value

Price \$35.25 per share

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

LEHMAN BROTHERS WATLING, LERCHEN & CO.

July 22, 1948.

their own sweat. They compromised by selling Bethlehem a 30% interest.

Bethlehem is now the biggest Rheem stockholder, though it has never asked for a hand in the management or a voice at the directors' table. Until they first went to the public for expansion capital in 1937, the Rheems were the exclusive owners. Now the brothers own around 18%, and the other 52% (besides Bethlehem's 30%) is scattered among 4,700 stockholders.

• **New Markets**—With the competitive heat off, the Rheems explored new markets. One of their first steps was to buy a water heater plant in Los Angeles. To them a water heater was nothing more than a long drum with a fancy jacket and a few gadgets. They were wrong, but they didn't discover the whole truth of that until they started years later to pour money into their research laboratory in Pasadena—seeking new methods of combustion, new types of burners. They were right to the extent that the water heater tank and the case required the same welding and galvanizing techniques they used on drums.

• **Decentralizing**—In 1931, Rheem built its second drum plant, at South Gate, Calif., a short haul from Los Angeles harbor. This event marked the company's first observance of a principle of decentralization which became more vital as Rheem studied distant markets. The principle: to avoid costly freight hauls on incoming steel and outgoing finished products, new plants tapping new markets must be on tidewater, at a steel basing point, or both.

The pattern of subsequent expansion shows how closely Rheem has followed



OPEN HOUSE against a background of finished water heaters seems to puzzle this youngster of a Rheem employee. Rheem holds these get-togethers as part of its labor-relations program

(Advertisement)

America's Advantage Must Be Maintained

*Only by protecting our sources of abundant food
can we continue to lead the world*

★ ★ ★

An Editorial in the August Country Gentleman

IT IS time for an all-important fact to be recognized. A nation can have a strong and expansive economy only if it has abundant food-producing resources.

"The high American standard of living and our thriving industrial system, with its many employment opportunities, both rest upon this foundation. They developed because we had such abundant resources, and their permanence depends on the continued productivity of these resources.

"It is a simple economic truth that has long been unheeded because nobody had to think about it. Food has always been plentiful in this country, in the greatest variety to be found anywhere. With the exception of the periods following the two World Wars it has also been relatively cheap—sometimes too cheap for the good of those who produced it. This abundance of food at a moderate cost has had a vital significance.

"Over the long period in which records have been kept by the U. S. Department of Agriculture, food has taken an average of only about 24 per cent of the spendable personal income. The food bill was more often below than above this figure.

"This left a large margin of the people's earnings to be spent for the products of industry. Nowhere else in the world has so much been left, after food needs were met, to be used in raising the general standard of living. It is this broad margin that has made possible the varied development of industry and the diversity of employment that this country enjoys.

"To realize the full meaning of this fact one needs only to look at the contrasting situation in other countries. Even in the low-price years before the last war, and with dominions to draw upon, food took more than 35 per cent of the spendable income of the English people. As a result England was never able to develop a high internal standard of living comparable to our own and had to rely on the export of a major share of its industrial production. France and Italy, where the food bill takes even more of the personal income (70 per cent of the average workingman's earnings according to latest figures), have lagged industrially behind us. South American countries, because of the low quality and rapid exhaustion of their food-producing resources, have found it hard to develop industrially. In China and India, where food absorbs most of the personal income, there is little industry and a tragically low standard of living.

"Food is the primary necessity of life. People spend their earnings for it first. Because we have always had plenty of food at a reasonable cost a large surplus of personal income has been

available to support the complex industrial system, widespread employment and all the variety of professions and services that flourish in this country. The food supply in itself constitutes our biggest industry, providing the main source of new wealth, the largest transportation load and more employment in production, distribution and services than any other branch of our economy.

"This abundance of food-producing resources and the chain of effects it has created have worked to the advantage not only of the non-farming public but of the producers themselves. American farmers have been able to apply the intelligence, ingenuity and large-scale production methods that make our agriculture utterly different from the types existing where land and water resources are poor and limited. Moreover, the expanding population engaged in other pursuits has provided them the greatest market with the highest buying power available to farmers anywhere on earth.

"The lesson ought to be so plain that nobody in this country is unaware of it. An ample and permanent food supply is a national essential.

"Its assurance requires two necessary measures. One is a program that will safeguard farmers while they are producing an adequate supply of food. The other is the conservation of our food-producing soil and water resources. These resources are now being depleted at a rate that, in no distant time, will surely undermine the foundation of our economy. An effective national land policy that will conserve and maintain them is to the direct personal interest of every individual in this country. It is one issue on which there should be united support.

"Abundant food-producing resources are indispensable to the kind of America that we have and want to keep."

Good Farming—Good Living



CLARK

Kellogg's



YOUR BREAKFAST SIR— "Fresh as a Daisy!"

"Fresh As A Daisy" is the spirited slogan in the huge, immaculate *Kellogg's* plant—and the efficient handling of materials in warehousing, processing and moving cereal foods to the world's breakfast tables, helps to deliver them to you—"Fresh As A Daisy."

To assist in speeding these fresh, crisp products on their way, thirty-one Clark fork-lift trucks each operate on an average of twenty-one hours per day. In this fashion, modern materials handling methods and machines contribute to a half-century of progress and achievement in the manufacture of Corn Flakes.

There is hardly a business, no matter how large, no matter how small, in which employment of modern materials handling methods and machines cannot accomplish efficiencies and economies so important that, as in the case of *Kellogg's*, they can be shared even by end-product consumers.

Clark will be glad to work with you to eliminate inefficiencies and extravagances of "multiple handling," and to help you discover new opportunities for savings on handling operations. At no cost, but with a high promise of large profit, you can: **CONSULT CLARK.**

CLARK ELECTRIC AND GAS POWERED FORK TRUCKS AND INDUSTRIAL TOWING TRACTORS



INDUSTRIAL TRUCK DIV., CLARK EQUIPMENT COMPANY BATTLE CREEK 42, MICH.
REPRESENTATIVES IN PRINCIPAL CITIES THROUGHOUT THE WORLD

this principle. In Houston the company found a market for oil drums and natural gas water heaters—on tidewater; in Chicago a huge market for drums and appliances—on a steel basing point; in Bayonne; New Orleans; Sparrows Point, Md.; and Birmingham, Ala., their new plant sites met the same tests.

About the time they moved East, the Rheems tested the foreign market by building a drum plant in Australia. The first plant was in Sydney; now they lease a second one (for appliances) there and own drum plants at Melbourne, Brisbane, and Fremantle. Their other foreign drum plants—at Rio de Janeiro, Singapore, and Hamilton, Ont.—all opened since the war.

• **Reconversion**—Postwar reconversion was relatively simple for Rheem. The company had found itself making a variety of items—shells, cartridge cases, ammunition boxes, ship shafting. But military demand for drums, pails, water heaters, and furnaces was just as peremptory. Rheem's wartime sales of its bread-and-butter products, exclusive of ordnance, far surpassed prewar peaks.

On V-J Day plus one, reconversion meant simply decommissioning the Rheem-operated ordnance plants, shucking out unusable government machinery at the drum and water-heater plants, and reviving the promotion program.

• **Hard to Sell**—Now Dick Rheem is putting a lot of personal energy into making people conscious of the Rheem name on home-comfort appliances. He has no illusions about the job staked out for the sales and advertising staffs.

The backbone of the line is the water heater, mainly the gas-fired model. Assuming an acceptable product, how do you induce people to buy a water heater? Few people can get excited about a new water heater until (1) the old one breaks down, or (2) they build a house. Then they'll probably depend on their plumber or builder in choosing a heater.

• **Sales Promotion**—So Rheem is making both plumbers and plumbing jobbers into Rheem salesmen—earning a commission on each sale. The merchandising staff has cooked up a "Rheem Design for Better Business" to make a showroom out of the barren plumbing shop. The scheme includes a basis for sharing advertising costs, a selection of window and shop displays, education in modern selling and merchandising techniques, direct-mail servicing of the plumber's prospect list.

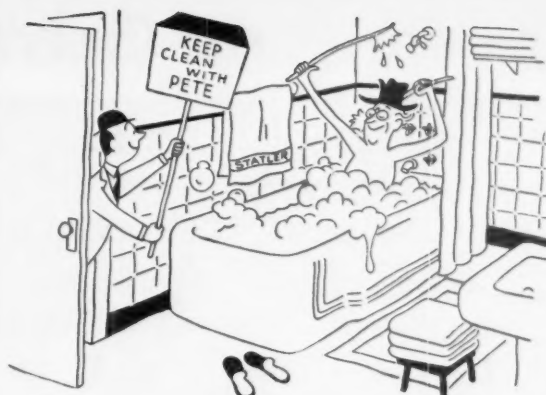
The company is supplementing this with coverage in consumer and trade magazines and with dealer and jobber aids in the specialty appliance field.

For Rheem, nurtured in the tradition of the trade brand, it is an adventure in merchandising.

—Turn to page 66 for picture story of Rheem's manufacture of water tanks



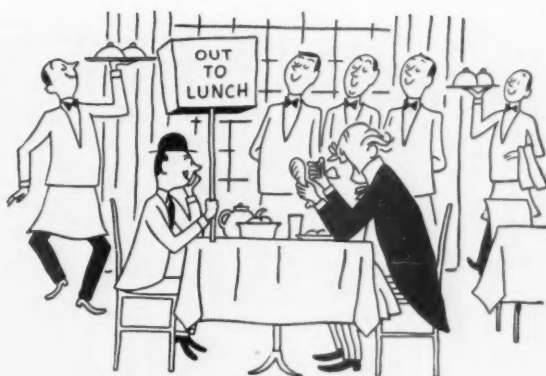
1. Political Pete, the people's choice, was tired of campaigning. "No matter what I do," he cried, "my opposition's gaining. I need new inspiration and I need a good night's rest. I'll find them *both* at Statler, where you really *are* a guest.



2. "A soak in Statler's tub is swell," the tired Peter cried. "The water's hot, there's lots of soap; with snowy towels I'm dried. And furthermore, I now can please the voting disposition by promising clean government and cleaner politician!



3. "Now here's my inspiration, it's a winner," Peter said. "I'll promise every voter in my State a Statler bed; eight hundred built-in springs and more insure a slumbrous bliss. Who wouldn't vote for me if he could sleep as well as this?"



4. At mealtime Peter's spirits soared, the food was simply great. He ordered all the things he liked, and ate, and ate, and ate! "That dinner was superb," cried Pete, the pre-election battler, "and now's the time for all good men to come and eat at Statler!"



5. "The Statler's in the heart of town, and that I like," said Pete. "It's close to business, shops, and shows; a handy place to meet. So take a tip from one who knows—you'd better make a note—when you're electing where to stay . . . let Statler get your vote!"



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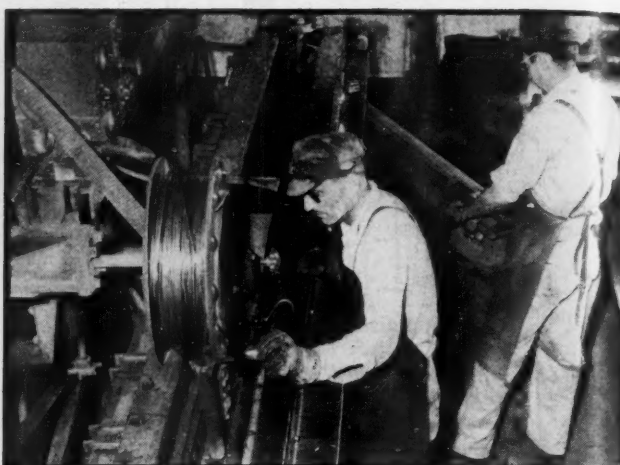
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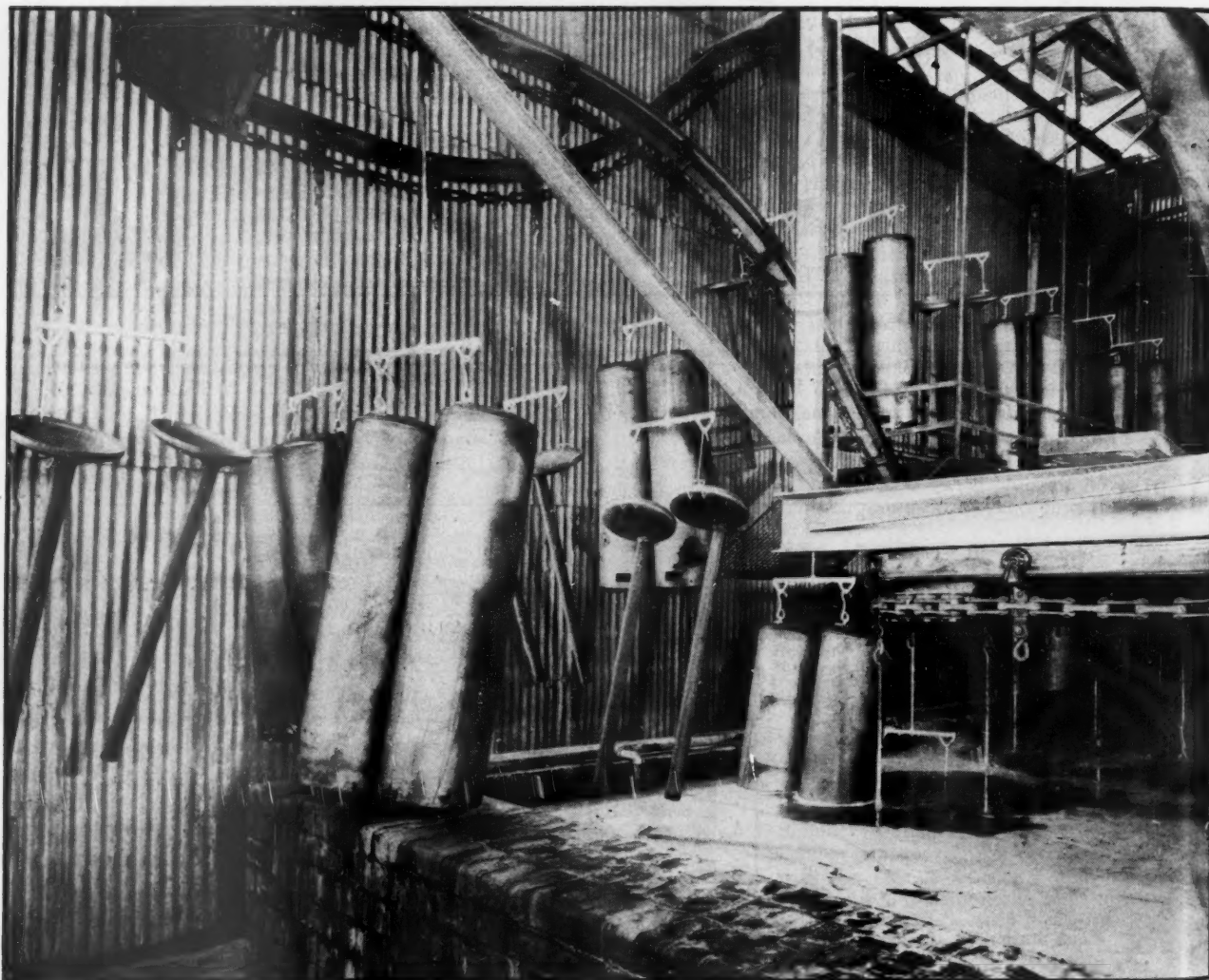
Rheem Puts Galvanizing on Conveyor



1 Workman feeds supplier-cut sheets of steel into a curling machine, thus starting water heater tank on its way

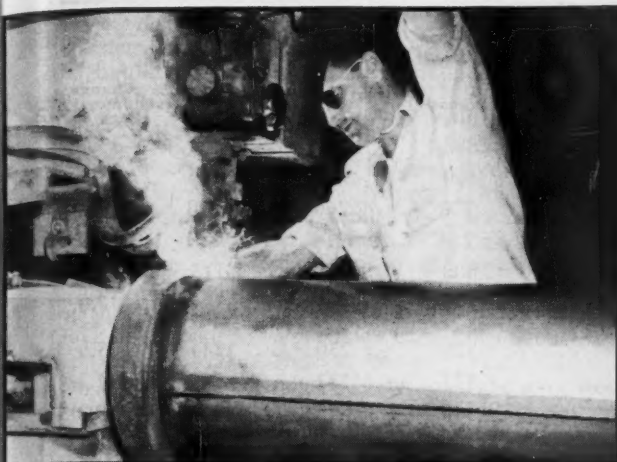


2 Rolled body cylinder is then placed under bench where side seam is butt-welded. Man at right removes welded cylinder

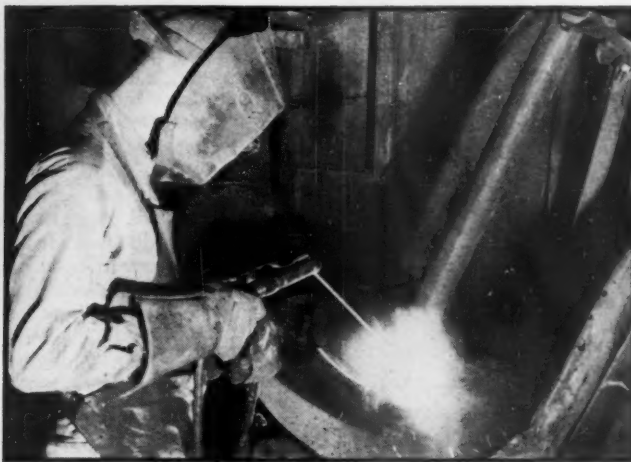


5 Flue-and-bottom units and tanks then move along overhead monorail conveyor on way to galvanizing. First they're dunked in pickle bath (lower right). This hot sulphuric acid solution removes scale, prepares steel surface to take a uniform zinc coating

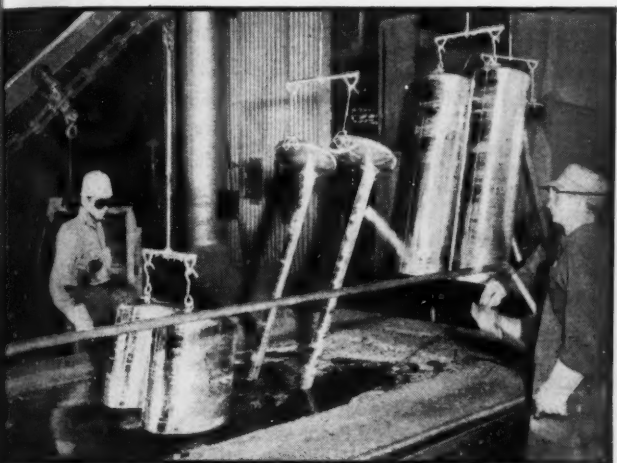
Line to Make Its Welded Water Tanks



3 Tank gets a head. Jig at left presses top against tank as it revolves. An arc weld joins top to tank



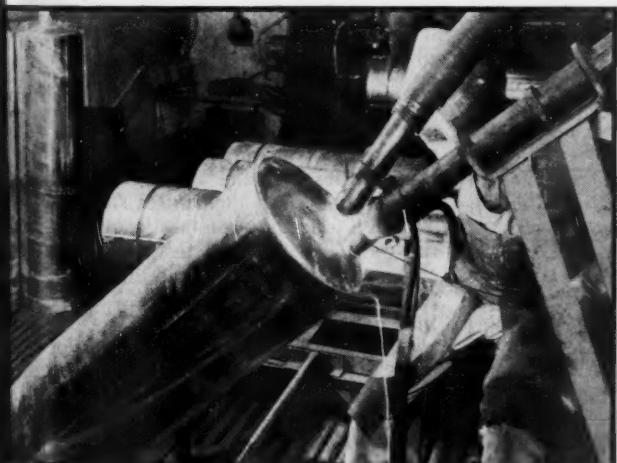
4 Next the bottom and flue unit are put together. Workman welds them with hand-held arc. Rheem stamps own bottoms and heads



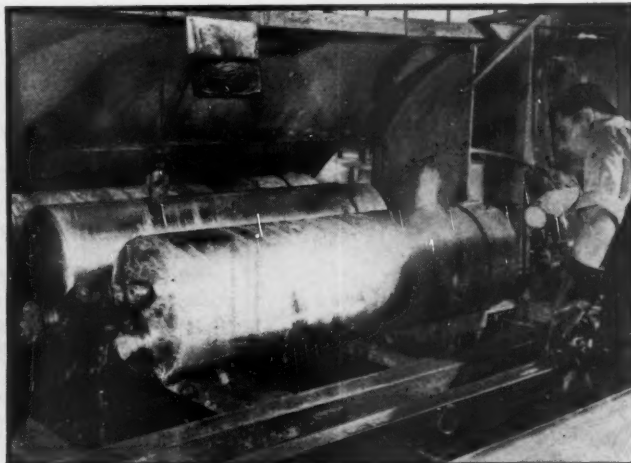
6 After rinsing, conveyor then swings the units through galvanizing bath. This is entirely automatic. Only hand job is to skim away dross (oxidized zinc), shake parts to drain off excess coating



7 Flue-and-bottom unit is welded to body by water-cooled resistance weld. In this Rheem process, watercooling prevents excessive melting of zinc coating on inside of the tank



8 Tank is turned automatically, with protruding flue as axis, as workman arc-welds joint between top and flue



9 Tank is tested for leaks by forcing water into it under a pressure double that it will get in normal use



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THE MARKETS

How Commodity Prices Stand Now

Primary Spot Market	January High	1948 Low	This Week	% Change from January High
Butter, lb.....	\$.888	\$.741	\$.772	-13.1%
Cocoa beans, lb.....	.460	.312	.445	-3.3
Coffee, lb.....	.270	.260	.270
Copper, lb.....	.214	.214	.214
Corn, bu.....	2.808	1.975	2.115	-24.7
Cotton, lb.....	.359	.314	.334	-7.0
Cottonseed oil, lb.....	.320	.230	.244	-23.8
Hides, lb.....	.325	.232	.300	-7.7
Hogs, 100 lb.....	28.950	20.875	29.875	+3.2
Lard, lb.....	.290	.208	.220	-24.1
Print cloth, yd.....	.282	.175	.175	-38.0
Rosin, 100 lb.....	8.950	6.760	7.250	-19.0
Rubber, lb.....	.230	.195	.249	+8.3
Steel scrap, ton.....	39.500	38.250	41.750	+5.7
Steers, 100 lb.....	32.250	26.500	35.125	+8.9
Sugar, lb.....	.063	.050	.058	-7.9
Tallow, lb.....	.278	.128	.160	-42.5
Wheat, bu.....	3.065	2.171	2.186	-28.7

Not One Trend, But Two

Industrial commodity prices push up, some to new highs. But farm commodities—except meat—slide as bumper crops appear. And businessmen may get caught in the squeeze.

Fats and oils prices broke sharply this week. But lead went up 2¢ a lb.; zinc went up 3¢ a lb.; and steel scrap jumped \$2.50 a ton.

There in a nutshell, are the two opposing trends now at work in the commodity markets. Every businessman will have to watch them carefully if he wants to avoid getting caught in the middle.

• **Industrials Climb**—Industrial commodities—especially the metals—are

stronger than ever pricewise. The Bureau of Labor Statistics index of spot prices of industrial raw materials (1939 equals 100) edged up to 278 this week, another new high. The Iron Age composite index of finished steel prices shows a jump of \$10.53 a ton as a result of the latest markups (BW-Jul. 24'48,p9). Nickel went up 6¢ to 40¢ a lb. last week. Aluminum is up 1¢ a lb., and copper men are talking of a 2¢ a lb. hike next month.

• **Foods Fall**—Meanwhile, agricultural commodities generally are coming into better supply. And their prices show it. The BLS index of seven farm commodities was down to 374.7 this week; this compares with 400.9 in mid-June. The foods index hit 394.5, against 427 at the June peak.

Bumper crops are in prospect for corn, wheat, and cotton. As a result, the prices of all three of these staples are weak (table). If it weren't for government price supports, they probably would be selling well below their present levels. As it is, corn is about 25% below its January high, wheat about

Security Price Averages

	This Week	Month Ago	Year Ago	Year Ago
Stocks				
Industrial	160.3	156.8	164.1	152.3
Railroad	49.9	48.9	51.1	44.1
Utility ..	72.1	71.4	74.5	75.7
Bonds				
Industrial	99.3	99.4	98.7	103.2
Railroad	88.8	89.2	89.5	90.2
Utility ..	95.0	95.8	95.8	103.6

Data: Standard & Poor's Corp.

29%. Cotton is off 5¢ a lb. from the peak it reached late in the spring.

The prospect of more cottonseed oil, plus a general improvement in the international supply picture, accounts for the drop in fats and oils prices. In early July, cottonseed oil got as high as 37¢ a lb.; now it is down in the neighborhood of 23¢.

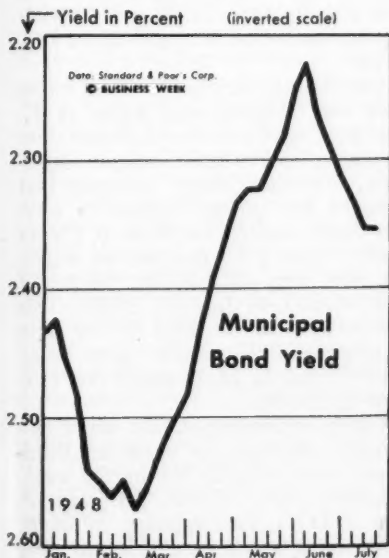
• **Meats Excepted**—Meats are the one big exception to the improving supply situation in foods. We are paying now for last year's soaring grain prices and the depletion of livestock that went along with them. But there will be relief in meat—eventually. At today's prices (hogs about \$30 a cwt., new crop corn futures \$1.55 a bu.) the famous corn-hog ratio figures out to 20 to 1. Ordinarily agricultural experts figure that 11 to 1 or a little better makes pork-raising profitable.

• **Inner Wheels**—You have to remember, though, that there are wheels within wheels in the markets. The support prices for farm commodities are based on parity. And parity depends on the prices of nonfarm goods. If industrial prices keep on climbing the supports for wheat, corn, and cotton will rise too.

Municipals Sink Again

The municipal bond market has got itself into trouble again. Much of the happy optimism that it showed early this year has evaporated. Dealers and investors alike are playing a cautious game today.

• **Prices Parachute**—As a result, the prices of municipals have been drifting down slowly but steadily since early June. By last week Standard & Poor's municipal bond yield average, which moves inversely to prices, had been pushed up to the 2.35% level (chart). That's the largest yield it has shown since mid-April.



BUSINESS WEEK • July 31, 1948

And there's no reason to think that the market is out of the woods yet. In fact, all the signs point to still larger yields (lower prices) in the near future.

• **High Inventory**—In recent weeks, dealers have been buying more new bonds than they have been able to distribute. This means that for a while, anyhow, they will have to bid more cautiously and scale their prices more carefully. Otherwise they will set themselves up for another violent attack of market indigestion—an ailment that has often struck the municipals in the past.

Three weeks ago, for example, the trade's inventory of undistributed new bond offerings topped \$110-million. That's double the amount that was on hand some months back when the market was just recovering from last winter's expensive purge (BW—Feb. 7 '48, p86). In the past couple of weeks, dealers have been trimming down prices to get the bonds off their shelves. Even so, they still have better than \$90-million in unsold issues.

• **Big Attraction**—To most businessmen the day-to-day goings on of the municipal market don't matter very much. The big attraction of municipals is their tax-exemption privilege. That means that, as a rule, only the institutions or individuals with high-bracket incomes watch them closely.

But over the long pull, there always is a fairly close relation between the trends in municipals and the movements of corporate bonds. It's rare for the two markets to go in opposite directions for any length of time. Real weakness in municipals is likely to pull the corporates down. And a sharp break in either market almost always kicks back in the other.

• **Watch It**—Hence, investors or businesses that never bought a municipal, and never intend to, still should keep an eye on this specialized corner of Wall Street. The question for them: Just how serious is the weakness in municipals? Does it mean that the market is about to fall out of bed and drag other security prices down with it?

Wall Street's answer at the moment: It's not too serious and probably not really dangerous.

• **Buying Interest Up**—According to dealers, the recent shading of prices has gone far enough to reawaken some real buying interest. If the schedule of new offerings doesn't take an unexpected spurt, the trade thinks it can whittle its inventories down to something like normal levels in the weeks ahead.

It probably will be some time, though, before prices show any bounce. In fact, many dealers expect them to drift lower for a while. They say that it will take a few more concessions to put the market in a range that looks really attractive to buyers.

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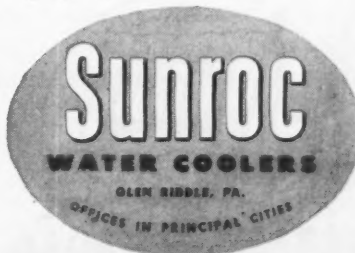


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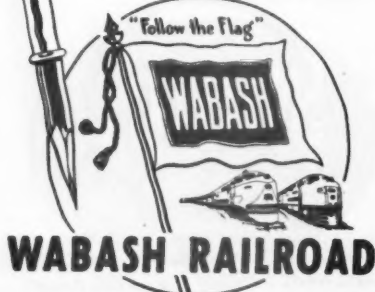
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LABOR

What's Happening to the Cost of Living

	Food	Clothing	Rent	Gas & Electricity	Other Fuels & Ice	House Furnishings	Misc.	Total Cost of Living
August, 1939	93.5	100.3	104.3	99.0	96.3	100.6	100.0	98.6
January, 1941*	97.8	100.7	105.0	97.4	104.2	101.1	101.9	100.8
June, 1941	105.9	103.3	105.8	97.4	105.4	105.3	103.3	104.6
June, 1942	123.2	125.3	108.5	96.6	113.1	122.3	110.9	116.4
June, 1943	141.9	127.9	108.0	96.1	118.9	125.4	115.7	124.8
June, 1944	135.7	138.0	108.1	95.6	123.2	138.4	121.7	125.4
June, 1945	141.1	145.4	108.3	95.2	124.5	145.8	124.0	129.0
June, 1946	145.6	157.2	108.5	92.1	128.4	156.1	127.9	133.3
June	190.5	185.7	109.2	91.7	143.0	182.6	139.1	157.1
July	193.1	184.7	110.0	91.7	146.6	184.3	139.5	158.4
August	196.5	185.9	111.2	92.0	154.8	184.2	139.8	160.3
September	203.5	187.6	113.6	92.1	156.3	187.5	140.8	163.8
October	201.6	189.0	114.9	92.2	157.4	187.8	141.8	163.8
November	202.7	190.2	115.2	92.5	160.5	188.9	143.0	164.9
December	206.9	191.2	115.4	92.6	162.0	191.4	144.4	167.0
January, 1948	209.7	192.1	115.9	93.1	165.0	192.3	146.4	168.8
February	204.7	195.1	116.0	93.2	165.9	193.0	146.4	167.5
March	202.3	196.3	116.3	93.8	166.0	194.9	146.2	166.9
April	207.9	196.4	116.3	93.9	166.7	194.7	147.8	169.3
May	210.9	197.5	116.7	94.1	168.6	193.6	147.5	170.5
June	214.1	196.9	117.0	94.2	170.1	194.8	147.5	171.7

* Base month NWLB's "Little Steel" formula. Data: U. S. Bureau of Labor Statistics; 1935-39=100.

High Prices: High Demands

Management looks for stiffer wage battles as cost-of-living sets new high. G. M. workers expect at least 2¢ hike under escalator clause. Ford "package" boost tops Chrysler, G. M. settlements.

Retail prices again took a hop up in the month ending June 15—carrying the Bureau of Labor Statistics cost-of-living index to a new high of 171.7. This is up 1.2 points from mid-May's 170.5 (table, above).

If the July 15 index stays at the June 15 level (experts think it will go still higher), General Motors employees will get a two-cent pay hike. G. M.'s cost-of-living adjustment will be three cents an hour if the BLS index rises to 172.7, four cents if it goes to 173.9.

• **Three Groups Hit**—The new rise in the index is important to all employers whose pay scales are hitched to the cost of living (about 1-million workers are estimated to be covered by "escalator" contracts). It's also important to (1) those who haven't yet settled third-round demands, and (2) those with late-1948 wage-reopenings in their contracts. In such cases soaring living costs are sure to be reflected in new—and higher—labor demands.

• **The Ford Case**—Take, for example, the Ford contract signed last week. The

United Auto Workers (C.I.O.) demanded more from Ford than it had won from other automakers. The reason: Living costs had gone up in the two months since G. M. and Chrysler signed with U.A.W. (BW-July 24'48, p100).

As a flat pay increase, the Ford union took the Chrysler wage figure (13¢). But Ford agreed to raise shift premium payments, and to grant vacation, insurance, and other "fringe" increases that brought its "package" boost to what the union claimed was 16¢ to 17¢ an hour. There is no reopener on wages; the new rates will hold for the life of the contract—to July 15, 1949. This moves Ford to the head of the auto wage-negotiating parade next year. Chrysler and G. M. contracts don't expire until 1950.

• **Other Settlements**—Other major employers continued to clean up third-round wage problems during the week, usually at pattern figures. An exception was C.I.O.'s Packinghouse Workers. This union lost a hard strike to "Big

four" meat packers in the spring, signed a 1948-49 contract with Swift & Co. at present wage rates. The union got a 9¢ hourly third-round raise in May. It wanted another pay boost to offset increased living costs since then; the best it could do was to get a wage reopener in the contract. It can ask for a c-of-l pay adjustment just once before Aug. 11, 1949.

For the union, the problem now is how to time its demands to peak living costs—when the company would be most vulnerable to union wage arguments.

NLRB's Scope

Does the Taft-Hartley law cover small business? Denham says yes. Congress may have a showdown with him in 1949.

Robert N. Denham, general counsel for the National Labor Relations Board, is vested with broad powers under the Taft-Hartley act. He has final authority over investigations, charges, and issuance of complaints made under the law.

• **Toe-Stepping**—This week, as Congress reconvened, many lawmakers were in a mood to curb Denham's authority. The reason: Denham has been applying the year-old T-H law to small businesses. He has been stepping on toes which NLRB carefully avoided in the past by limiting its jurisdiction.

It's hardly likely that anything will be done about the situation at the controversial special session. No changes in labor laws are in prospect. But unless there is a change in the Denham policy before next January—or unless Denham retires because of his health (BW—Jul. 24 '48, p16)—congressional action is probable in 1949.

• **Squawks Back Home**—Denham's tactics landed him before the House Committee on Expenditures in the Executive Departments as long ago as last May. They got a lot of attention when Sen. Joseph H. Ball's "watchdog committee" held hearings on the T-H law in June. The tactics have brought friction between Denham and the five members of the NLRB. And, importantly, they have resulted in complaints to Congress from folks back home.

Telegrams have poured into congressional offices from both employers and unions. Moreover, congressmen on fence-mending visits to constituents found many small businessmen waiting for them with a question: Did they really intend the T-H law to read the way Denham is interpreting it?

• **Earlier Discretion**—This is what it's all about:

The T-H law covers all business that



how many mouths make a food shortage?

Billions. They're insect mouths. They grind and suck and chew over 500 million bushels of grain each year. They're the mouths that make a food shortage, that help keep half the world's population underfed. The U. S. Department of Agriculture estimates that \$600,000,000 in food can be saved annually by sound pest control measures. Elimination of this enormous waste will stretch the U. S. supply of corn and many other feeds.

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"affects commerce." So did the old Wagner act, but under it NLRB (using its discretion) always declined to assert its jurisdiction in cases in which (1) the business did not have a major effect on commerce or (2) the purposes of the law would not be helped by taking jurisdiction. That was why, until T-H came along, NLRB stayed out of the construction industry (BW—Feb. 21 '48, p104). It is why NLRB kept its hands off businesses which, although affecting commerce, were largely of a local character (BW—Apr. 17 '48, p108).

• **New Rights**—Denham changed all this. He said he had to, because the T-H law gave new rights and new protection to employers and individuals which the government shouldn't deny them simply because the business involved did not have a major effect on interstate commerce.

There is no dispute between Denham and NLRB members on one point: that Congress intended to include the construction industry under the T-H law when it outlawed the closed shop and armed NLRB with sharp and quick weapons for coping with secondary boycotts and jurisdictional disputes. But that's about as far as NLRB members want to go.

• **Denham Won't Budge**—Hence, Denham has met unanimous opposition from the board on the question of applying the law to most small businesses. So far, the general counsel has given no indication that he will yield to the position of the board members—and they can't require him to do so.

Denham feels that the small employer is entitled to T-H protection against a closed shop, secondary boycotts, and jurisdictional disputes. Furthermore, he feels that the small employer's workers should also have protection against the closed shop and the T-H right to decertify a union.

• **Heavier Case Load**—On the other hand, NLRB Chairman Paul M. Herzog feels that moving in on small businesses would add to the heavy load of cases coming before the board (BW—Jun. 26 '48, p112). He feels, too, that it might upset labor-management relations in many cases where they now are stabilized.

For instance, many employers and unions have joined in protests against intervention by NLRB: An employers' group (the American Hotel Assn.) and A.F.L. unions (bartenders, and hotel and restaurant workers) were among them.

Denham's answer: Unions and some

The Pictures—Acme—23, 73 (bot.); American Cyanamid Co.—32; Crown Copyright Reserved—82; McGraw-Hill World News—81.



NLRB GENERAL COUNSEL Robert Denham takes an opposite position from . . .



NLRB CHAIRMAN Paul Herzog and Congress on small business under T-H

employers in businesses of questionable jurisdiction want to keep the T-H law at arms length to avoid the closed-shop ban. Other employers, he says, don't want to be "sucked into the area of interstate commerce" because it might bring them under the wage-hour law.

• **Committees Mean Business**—Members of the two congressional committees that heard Denham's explanation weren't won over. Both groups indicated that the situation should be handled through a change in the law, by redefining "interstate commerce" and "affecting commerce."

A desire to keep Congress from taking up any changes in the T-H law might aid in reconciling the Denham and NLRB positions. The board and the counsel share a belief that, once started, Congress might not stop with a purely technical change but might go on into a broader revision.



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Court Injunction Hits Agricultural Workers'



1 THE WORKER on big factory-farms in California has begun to think—and act—like a plant unionist. One spur has been . . .



2 HOUSING, one of his big economic concerns, more dramatic than wages, hours, social security, other aims, for many who migrated to the lush agricultural country found only shacks like these in Kern County, Calif. Even when they got ranch jobs . . .



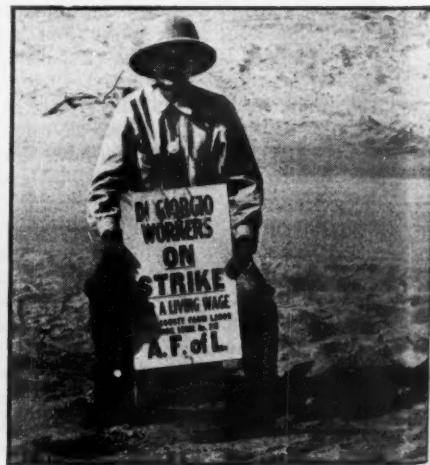
3 ONE-ROOM BARRACKS were about all the shelter many found waiting for their families. On the 12,000-acre Di Giorgio ranch, workers complained. A room was added, but workers charged that . . .



4 NEAT COTTAGES, which began to typify the Di Giorgio employees' demand for "a decent living," were for supervisors, some upper-bracket field hands. Rank-and-filers carried the gripe to their . . .



5 NEW UNION HALL off the ranch. They accused Di Giorgio of refusing to (1) recognize the National Farm Labor Union (A.F.L.) as their bargaining agent; (2) talk to union negotiators on pay and housing. On Oct. 1, 1947, they voted a strike. And . . .



6 AFTER TEN MONTHS, picketing is lonely, hot, dusty—but still going on in farm union showdown

Long Strike

Judge bans secondary picketing, though union gets no benefits under T-H law. NLRB to give final decision.

Agricultural workers get no benefits from the Taft-Hartley law. Should they, then, be bound by its restrictions?

• **Tentative Answer**—The question has been tentatively answered "yes" by the federal court at Fresno, Calif. But the final decision hinges on the outcome of National Labor Relations Board hearings next week in Los Angeles.

The court action came from Judge Peirson M. Hall a few weeks ago. He issued a temporary injunction against the Kern County Farm Labor Union, which has been carrying on a bargaining fight with the big Di Giorgio Fruit Corp. for a little more than a year.

• **Entering Wedge**—Last Oct. 1, the Kern County affiliate of the National Farm Labor Union (A.F.L.) called a strike at the 12,000-acre Di Giorgio fruit and vegetable ranch at Arvin, Calif., near Bakersfield. The union obviously had chosen Di Giorgio as its entering wedge into California's commercial farming industry.

So long as the union restricted its picketing to the 20 miles of road that cross and link the Di Giorgio properties, it encountered only token resistance from local enforcement officials.

• **Change**—But last month the pickets followed a tank car of Di Giorgio wine, made from Di Giorgio grapes at the Di Giorgio winery, to the Italian Swiss Colony winery at Clovis, near Fresno. The Italian Swiss Colony workers refused to accept the wine through the mobile picket line.

On complaints from Italian Swiss Colony and Di Giorgio, the NLRB asked Judge Hall for an injunction under the Taft-Hartley prohibition against secondary picketing.

• **"No Choice"**—Hall held that the law gave him no choice but to enjoin the picketing. The hearing next week will determine whether NLRB shall ask that the order be made permanent.

The immediate issue in the Di Giorgio dispute is bargaining recognition. Di Giorgio has refused to recognize the union. No law requires a farmer to bargain with a union of farm laborers.

• **Claim and Counterclaim**—At the outset, Hand Hasiwar, international representative of the union, claimed to represent a majority of Di Giorgio's workers, which range from 700 to 2,000, depending on the season. Di Giorgio told the press that the claim was preposterous. And to the union's claim that the



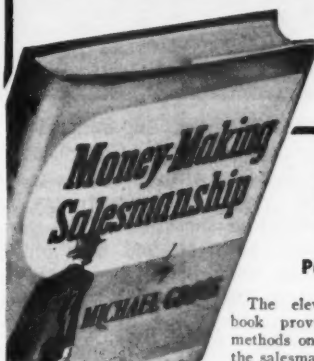
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FIELD WORKERS being recruited by Di Giorgio, convoyed into ranch to handle crops

strike had hamstrung the farm, Di Giorgio retorted that nonstrikers have harvested four successful crops—grapes, asparagus, potatoes, and now plums—since the disturbance began. Robert Di Giorgio says that 1,800 are now employed, and that these include all but a few of the regular year-round workers. Hasiwar, on the other hand, says that many Di Giorgio regulars are still on strike but have drifted to other jobs.

The union now keeps only token picket lines at the ranch; but Hasiwar insists that this is no indication that he believes the cause is lost. He says that the strike has given the union an opportunity to dramatize the neither-fish-nor-fowl status of farm laborers under existing law. The Hollywood Film Council (of A.F.L. unions) gave a hand by producing a 20-min. sound film, "Poverty in the Valley of Plenty," that is widely circulated around the country.

• **Backing**—Partly as a result of the film, several religious groups have investi-

gated the dispute and given the union financial help. Hasiwar says he has received \$150,000 from the American Friends Service Committee, the Methodist Council for Social Action, and a similar council backed by Congregationalists. Without giving money, the Catholic Rural Life Movement and a body of Presbyterians have investigated and expressed sympathetic interest.

The dispute was screened pretty carefully by a California equivalent of the Thomas Un-American Activities Committee. No evidence of Communist or other subversive influence was turned up.

• **Little Violence**—There has been little violence or picket-line brawling. Several weeks ago James Price, president of the local union, was shot in the face by an unidentified assailant. Union-posted rewards totaling \$1,500 have turned up no clew to the gunman's identity. Price was critically injured but is recovering.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 31, 1948



Four-power talks on Germany are now almost a sure thing—despite our cutting of the rail link between the Russian zone and western Europe.

The Conference of Foreign Ministers may meet to resume discussions of Germany. That's why the British and U. S. ambassadors to Moscow are being briefed before they sit down with Foreign Minister Molotov.

Step one in breaking the Berlin deadlock may be agreement to withdraw the Deutsche Mark from Berlin, on the grounds that the twin currency works hardships on Berliners. This would be traded for lifting of the Soviet rail and road blockade of Berlin.

But parallel plans to speed up a West German government will not please Moscow. They could upset plans for the four-power meeting.

•
Paul Hoffman, Economic Cooperation Administrator, took Marshall Plan countries to task in Paris last week. He told them it was high time they helped out in the ECA work.

The Organization for European Economic Cooperation has been doing little more than adding up figures and shooting them to Washington. Hoffman made no bones about the fact that Washington is tired of this.

He got results. OEEC will now take responsibility for properly divvying up ECA allocations.

•
One highlight of Hoffman's visit was the announcement, after talks with Sir Stafford Cripps, of a joint U. S.-British council to study British industrial modernization (page 81).

The Federation of British Industries and the National Assn. of Manufacturers are expected to cooperate. Trade union groups in both countries will also share in planning the flow of U. S. technical know-how to Britain.

•
Czechoslovakia and Finland are the first countries of eastern Europe to get ECA orders.

Last week an order for \$488,000 worth of wood pulp was placed in Finland. Czechoslovakia will get \$400,000 for repair of railroad equipment. All along, some economists have insisted that success of the Marshall Plan depends on recovery of normal trade in Europe regardless of East-West political differences.

•
Britain is pushing overseas investment.

More than 250 firms are currently studying prospects of Canadian branch plants. About 45 have plans well advanced involving investments of from \$100,000 to over \$1-million. One \$3-million plant is listed.

Seventy firms are investigating manufacturing prospects in Australia. South Africa is not being overlooked. Britain hopes, by rebuilding overseas investment, to recapture some of the income lost through wartime divestment.

•
Metropolitan Cement Co., Ltd., a new \$5-million Australian company, has purchased a 150,000-ton cement plant from Ford. It is being dismantled for shipment to Australia.

In recent years Ford Motor Co. has dropped many of the subsidiary enterprises it started, figuring that its big profits lie in car building (BW-Mar. 16'46, p28). A railroad, ships, tire plant, and several other projects were sold.

•
World Commerce Corp., New York, has closed a deal with Cassella

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JULY 31, 1948

Farbwerke Mainkur, former I. G. Farben unit near Frankfurt. The idea is to help western Germany's production and export of dyestuffs.

The deal works this way: World Commerce is supplying up to \$475,000 in raw materials and equipment. Cassella agrees to manufacture and export \$1.5-million worth of dyes. The U. S. company gets paid out of the proceeds of Cassella's sales.

World Commerce's Zurich office will do the buying for Cassella, mostly in Europe. It will also handle the exports, which will go chiefly to India and the Far East.

•
Brazil is astir with rumors of a hot political contest this fall.

Getulio Vargas, who resigned in 1945 after 15 years as chief of state and is officially "out of politics," is reported ready to make a bid for return to the presidency as the "Father of the Poor" candidate.

Incidentally, President Dutra is reported backing Gen. da Costa, the War Minister, as his successor.

•
Current notes on business abroad:

India is rushing plans for a synthetic petroleum industry. Koppers Co., Pittsburgh, is estimating costs of a plant to produce synthetic oil from gasified low-grade coal. India wants a plant to make a million tons of gasoline and byproducts, but cost estimates are being prepared for units producing from 100,000 tons a year up. Also, Koppers is teamed up with Arthur McKee & Co. and Britain's International Construction Corp. on a steel expansion project for India (BW-Jun.19'48,p116).

Czechoslovakia has made its peace with Unilever. The two weren't on speaking terms after the nationalization of Unilever's Schicht works in 1945. But now the Prague government has agreed to compensation. Unilever will be paid for the nationalized works in Czech crowns, which will be used to purchase Czech products.

Argentina is bidding for Italian airplane motors. The Argentine air minister is slated to visit Italy next month to contact Fiat and Breda. Last year Argentina bartered grain for \$8-million worth of Italian farm machinery built by Fiat in Milan (BW-Sep.6'47,p100).

New Zealand's first tire plant has started production. It's a Firestone subsidiary at Papanui, near Christchurch. It not only will meet the needs of New Zealand motorists, but also will sell to the entire Southwest Pacific area.

India's first frozen fish plant is being built for the government at Bombay by Carrier Corp., Syracuse. After tests, the plant will be turned over to private enterprise, probably next year.

Puerto Rico's Industrial Development Co. and Beacon Textiles, Inc., New York, will build a \$1.5-million blanket factory on the eastern coast of the island. The development agency will put up \$700,000 for factory and site, and Beacon will spend \$800,000 for machinery and equipment. Output of \$5-million a year will be marketed in the U. S. The new plant gets 12 years' exemption from taxes.

Canadair Ltd., Montreal, has signed a \$14-million contract with British Overseas Airways Corp. for 22 four-engined DC-4M North Star aircraft, a Canadian-modified Douglas model. British Rolls-Royce Merlin engines are used in the Canadian plane. The Montreal plant will triple its 2,000-man payroll to handle the order.

BUSINESS ABROAD

Britain Needs Modernization

With bulk of capital goods going overseas, industry turns to scientific management to help cut \$600-million trade deficit, keep production up. Equipment shortage hampers modernization.

LONDON—British industry is hitting on all cylinders. Despite this, manufacturers are operating in a gloom as heavy as any London fog. Their problem: how to keep production on the upswing with a badly overworked, creaking industrial machine.

This week in Paris, British economic czar Sir Stafford Cripps appealed to ECA boss Paul Hoffman for help. Hoffman promised technical know-how from U.S. management and labor. But Cripps really wanted ECA to hurry the flow of capital goods to Britain.

• **Short-Range Figures**—It's true that Britain is close to its short-range production target. June exports totaled \$536-million—138% of the 1938 average. Last week the Board of Trade said the year-end export goal—150% of the 1938 average—was now in sight.

Over-all production has gone up 3% since January; it's now running 11% over the 1938 average. And British businessmen claim they can add another 6% by the end of the year—thereby meeting minimum needs for 1948.

• **Long-Range Outlook**—The long-range outlook is a different story. Britain's trade deficit for the first six months of 1948 was \$600-million. The country is going all out to balance its payments by 1951, the last year of ECA aid. But new equipment isn't being installed fast enough to increase productivity.

If Britain's whole economic position is not to be undermined, the country must keep on exporting the bulk of its resources—including capital goods. So industry will have to turn out more goods with its overworked facilities.

• **A Way to Win**—In this bad spot, British businessmen are studying one of the first precepts of American business—scientific management.

One leading industrialist claims that modern management methods could raise the productivity of Britain's present industrial plant by as much as 20%. Those factories that have been put to the test bear him out.

• **A Cotton Example**—Last year Musgrave Spinning Co. called in a company of industrial consultants (Production Engineering, Ltd.) to study the layout at one of its cotton mills in Lancashire. Recommendations included: (1) reassignment of workers' duties; (2) re-

arrangement of plant machinery; (3) use of larger cans at the cards and combers; (4) putting more machines under one tender; and (5) introduction of an incentive pay scheme for experienced operators to earn up to 30% more pay.

Within seven months Musgrave had made all the changeovers. Surveys showed that output per man-hour had gone up 39%. The average weekly earnings of mill employees jumped 30%; labor costs went down 10%.

Investigations in other cotton mills showed Britain's cotton industry could increase productivity 25% if all plant operations were streamlined.

• **In Metal Trades**—In the metal-working field, Tube Investments, Ltd. (T.I.), is also learning that scientific management pays off. The consulting firm, Personnel Administration, Ltd., was called in to put 38 factories of T.I.'s 32 producing companies to the test. Investigations are still going on, but some

results are already apparent. After time and motion studies, productivity in one tube-drawing plant (employing 1,400 persons) was boosted 64%. The volume of output at the factory went up 31%.

• **Progress Is Slow**—As yet, the idea hasn't caught on generally throughout British industry. Of the 51,040 companies that employ 11 or more workers, only about 2,000 have made any call on management organizations. In all Britain there are only about 35 firms of industrial consultants—employing fewer than 400 persons full time.

To get the ball rolling, Sir Stafford Cripps last month set up a joint Committee on Industrial Productivity. The committee consists of some 60 men drawn from government departments, industry, labor unions, research institutions, and professional associations. Its primary object is to boost productivity during the next five years. But it is also giving thought to long-term plans for better management methods and the general modernization of plants.

• **Liaison**—Private industry has its own committees set up to bring the recommendations of the national committee home to the individual plant. These groups are organized by local chambers of commerce, and by business and labor organizations. Through them:

(1) Management in each area will have a pool of executive talent to help keep supplies flowing through the red tape of government controls.

(2) A roster of qualified consultants



Bolstering Britain's Export Drive

Austins, like these riding astride a new type of British-built car-carrying trailer, are one reason for Britain's rosy export figures of the last few months. For the first six months of 1948, 115,800 automobiles of all makes

were exported—almost twice the number for the same period last year. Of these 8,300 came to the U. S. (about 6,000 were Austins). For the first half of 1947, the U. S. imported only 185 British cars.

will be drawn up for companies to tap on specialized problems.

(3) Scientific talent in British universities and research centers will be put to work for British industry. This month plans were announced for doubling the number of applied scientists.

• **Government Blamed**—More and more British businessmen are getting on the modern management bandwagon. But there are still many who blame Britain's low productivity on the government. The bone of contention is the way the government allocates supplies.

Hardly an industry in Britain hasn't suffered from one material shortage or another. And businessmen will feel the shortage for some time to come. The simple fact of the matter is that Britain's needs greatly exceed its resources. All businessmen realize this; they grant the government the right to allocate scarce materials. But they insist that their factories could produce much more efficiently if the government would streamline its allocation policies.

• **Supply Perils**—Many manufacturers complain that their plants live from hand to mouth. They say that efficient management is impossible when no one knows from one day to the next what materials will be on hand to work with.

The unsteady supply of iron castings

has slowed down the output of urgently needed machine tools and textile machinery all this year. This month, because of delayed deliveries of steel wire, at least two factories had to shut down.

The managing director of one of them (Job Wheway & Sons of Walsall, the largest machine-made chain factory in Britain) said: "We have to wait at the factory gates each morning to see what materials the lorries bring before we know what machines to operate."

• **Equipment Needed**—Real increases in productivity will have to wait on deliveries of new plant equipment. Where modernization of plants has been possible, the effects have been startling.

During the past two and a half years, the Board of Trade has approved \$5-million for new pottery factories and modernization of old ones. Result: Production has doubled; exports are four times their prewar value.

At Josiah Wedgwood & Sons Ltd., Barlestone, complete electrification has increased output per man-hour 40% above prewar. And at Richards Tiles Ltd., Tunstall, new grinding machines do the work of four men, while specially equipped dryers have cut a 24-hour job down to 14 minutes.

• **Historical Attitude**—If all British industry could get the same going over

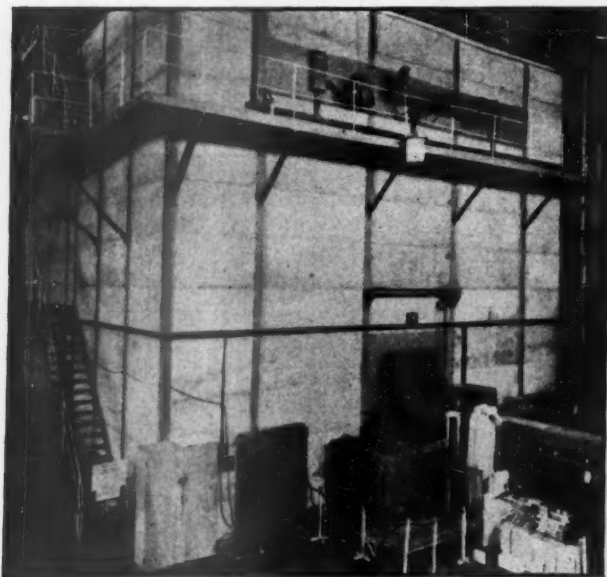
that the potteries have had Britain would be back on its feet over night. But modernization has not been a strong point with British manufacturers in the past. Even before the war new plant was a need that all too many British manufacturers chose to ignore.

In prewar days, many were not ploughing back enough of their profits to keep their factories abreast of the times. Back in 1938, British industry was already obsolescent; only 14% of the value of the national product was going into plant modernization.

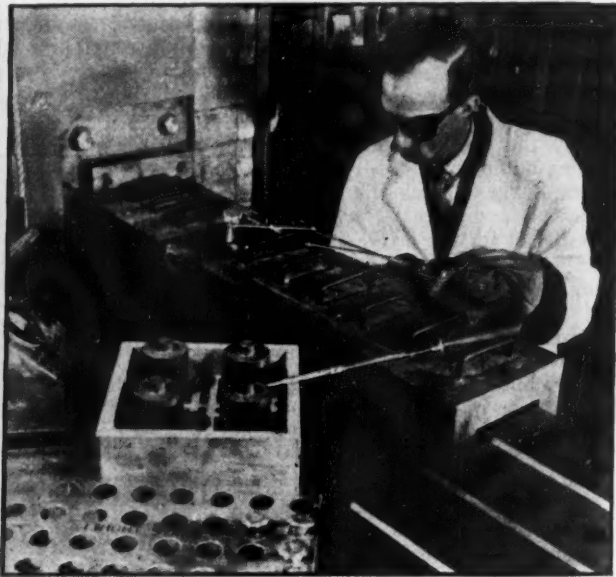
The yardstick for many a small-business John Bull has always been how little capital he had to lay out, not how much return he got in output. Thus, in the matter of tools the plants have run at very low efficiencies.

• **Today's Attitude**—Now most of Britain's bigger and newer industries are eager to modernize. They would like to use 20% of the national product to reequip their plants—if 20% were available. But they are held back by the crippling steel shortage. And the government's export policy, which takes 60% of Britain's machine-tool output, doesn't help.

If the need for modernization drags on beyond the term of ECA, the economic fog may darken into a blackout.



ATOMIC ENERGY PILE in Britain turns out . . .



RADIOACTIVE ISOTOPES for experimental work

Great Britain Shows Off Its Atom Plant at Harwell

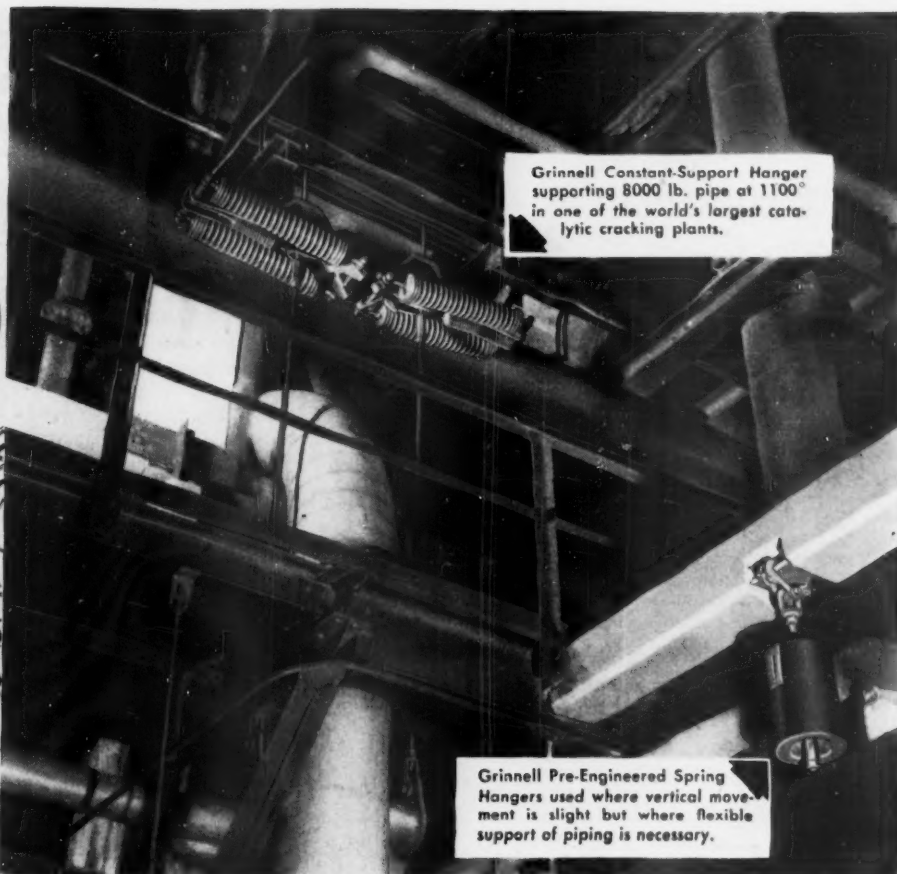
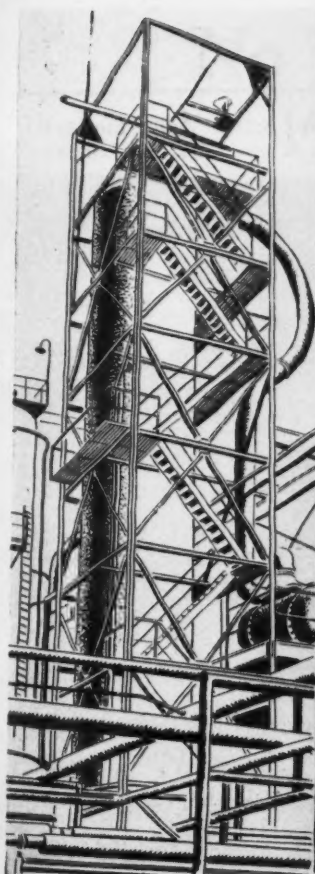
Newsmen have been allowed a glimpse behind the gates of Britain's Atomic Energy Establishment at Harwell, Berkshire. Among other things, they saw Gleep (above, left), the graphite low energy experimental pile (BW—Jul.10'48,p42), and its big brother, Bepo, British experimental pile. When Bepo is producing at full capacity, it is

expected to develop 6,000 kw., 60 times that of Gleep.

Gleep is already sheltering the production of radioactive isotopes. During May, some 150 samples were prepared from it. Samples are put into the pile through a door in the concrete shield. After exposure to radiation, specimens, in aluminum containers, are lifted from

their storage blocks by tongs (above, right).

According to Harwell's director, Sir John Cockcroft, the establishment's major work will be in the experimental field for some time. He doesn't believe that nuclear energy will contribute much power to the world in the next 10 years.



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ECA'S LEDGER

Reports from Washington

For the week ended July 24, ECA authorized \$19,545,478 worth of purchases. This brings the total to date up to \$835,022,702.

The week's total was the lowest since May. Reasons:

(1) ECA still hasn't interpreted the terms "bulk" and "prevailing market price," which have been holding up buyers and sellers (BW-Jul.24'48,p36). Chances are ECA will have to earmark certain commodities to be sold in bulk, others not, under Section 202 of the act. And ECA's legal experts may resort to a bid system to define "prevailing U. S. market price." That is, bids would be let on a given order and the lowest bid considered acceptable as a U. S. market price.

(2) The Organization for European Economic Cooperation wanted \$1.7-billion in second quarter allotments—but ECA provided only \$1.2-billion. So OEEC has to see that each nation revises its schedule in light of the new allotments. ECA reduced OEEC's request by cutting food allotments—apparently banking on a big harvest in Europe. (Other official and unofficial observers, however, are less optimistic about the size of the crops—BW-Jul.24'48,p10).

Until these two points are cleared up, authorizations will continue low. And not much will be done about either of them until Paul Hoffman returns from Paris next week.

The Anglo-American zones of Germany got the biggest chunk (\$13.5-million) of last week's authorizations. With this money, Bizonia will buy truck tires and tubes, copper, and nickel from the U. S.; zinc and refined copper from Belgium; lead from Mexico; ground wood pulp from Finland and Sweden; and power units for electric buses from Switzerland. German railway freight cars will be repaired in Belgium, Switzerland, and Czechoslovakia (page 79).

Greece got just over \$2-million to buy drums and cranes in Belgium and asphalt kettles in England. Italy got just under \$2-million to buy hides in Uruguay and Brazil and agricultural machinery in the U. S. Denmark got \$1.3-million to buy

oil cake in Brazil. And China got \$11,478 to buy wheat flour in the U. S.

Other developments:

Intra-European trade. The \$101-million set aside from second-quarter appropriations to prime the intra-European trade pump has been doled out. France will get \$30-million to spend in Marshall Plan Europe; Britain, \$15-million; Austria, \$10-million; Greece, \$7-million; Anglo-American zones of Germany, \$6-million. The rest was split between Italy, Denmark, Norway, and Ireland.

Most of this money will be spent in Belgium, the Netherlands (mostly East Indies) and western Germany.

Loans. Hoffman thinks negotiations involving \$700-million in loans to OEEC nations will be 75% complete—but not signed—by the end of September. The 3% interest rate is favored; amortization periods will run over 20 years.

Reports from Abroad

In Paris, Hoffman gave his blessing to OEEC's "conditional" program for financing trade between the Marshall Plan countries. He urged OEEC to be more definite about it.

The plan—to be put into effect Oct. 1—calls for continued special dollar allotments for financing intra-European trade. In addition, some of the local currencies, raised through the sale of ECA goods in each country, will be set aside for loans to other Marshall Plan nations. If these funds accumulate too slowly, creditor nations agree to dig up the money from other sources to bridge the time gap.

Britain got some concessions under the program. Its obligations in the sterling area will be considered in any dollar allotments for boosting trade. The effect will be to provide Britain with some dollars to build up trade within the sterling area as well as with other Marshall Plan nations.

Under the program, exports from western Germany will be paid for with the new western Deutsche Marks: OEEC figured western Germany couldn't go on forever being a dollar island in a dollarless Europe.

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portions to prevent smoke from forming. Not only that—it gives you *more heat* from every lump of coal you burn. Which means greater *economy* with every ton you buy!

This furnace improvement was developed by Bituminous Coal Research, Inc., the national research agency of the bituminous coal industry. It's one more product of the industry's research program, dedicated to continual improvement in the mining and use of coal. Already a smokeless stove is available; and of course modern stoker-fired furnaces are smokeless and automatic. The bituminous coal industry not only *believes* in the future of coal

—it is also working unceasingly to make coal a better servant of mankind.

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LISBON

LISBON—Premier Salazar of Portugal has long held out against the influence of the dollar on his country. At its own request, Portugal is included in the Economic Cooperation Administration only to a degree. Under the terms, it can buy (for cash) scarce essential machinery and raw materials.

Now it looks as though Portugal may have to shift policy. In 1947, it bought \$93-million worth of American goods. By April of this year purchases had skidded to a rate of about \$60-million a year. More than that, Portugal has now regulated imports, restricting them to items for industrial and economic progress. There is even a rumor in Lisbon business circles that Salazar's paternalistic dictatorship may soon ask the U. S. for a dollar loan.

There are two reasons for Portugal's sudden ban on free imports:

(1) A wild spending spree on luxury items from America's industrial wonderland—automobiles, refrigerators, cameras, electric fans, ranges.

(2) The government's ambitious modernization program. Official sources say that every town now has its own municipal water supply and sewage system. First-class highways (U. S. standards) connect Lisbon with Oporto and other important points. Government-sponsored housing projects are springing up in quantity (and quality). Hydroelectric dams now abuilding along the Tagus River will add some 400,000 kw. to present power output.

These two spending factors have been draining the country's foreign exchange reserves more than twice as fast as cork, port wine, sardines, and textiles can replace them.

PORTUGAL is a land of extreme wealth and poverty, with not much between. Prices reflect this. Food and rent are low-price by any standards. But durable goods are higher dollarwise than the U. S.

Because of low-priced food and rent, the Portuguese labor force, under direction of the government, is not too badly off. Workers in each factory are members of a syndicate, which in turn is a member of a national union. Workers don't

LETTER

have to join the syndicates, but most do—otherwise they would be out in the cold.

For example, housing projects are built for the syndicates. The family living in a unit pays a monthly rent of from \$6 to \$10 to the government. After 20 years, the family owns the house. Meanwhile, rent includes complete medical protection under a system of socialized medicine.

The entire business world is organized along lines similar to the labor syndicate. Its three main categories are labor, industry (management), and commerce (outlets). The government directs all three of these hierarchies, requires them to negotiate with one another.

One of the nation's major domestic enterprises—as highly organized as the rest of business—is prostitution, which is legal in Portugal. Guesses are that as high as one-quarter of Portugal's women are prostitutes. The government will neither confirm nor deny these figures, stating that the actual number is confidential. But it must be high—if for no other reason than that prostitution pays better than the factories.

THE PEOPLE of Lisbon are restless. There have been several violent outbursts against the government in recent years, all traced to the Cominform, or its predecessor. Possibly some of the restlessness is the normal result of the change from feudalism to modern industrialism. But a recent small incident indicates that the restlessness is enough to give government brass the jitters.

A member of the ministry of information was conducting a tour of British and U.S. newsmen. As they stood outside the Palace de Pena, on a mountaintop, there suddenly came from the valley below three reports in rapid succession. They sounded like giant firecrackers—or like hand grenades.

The government official held up his hand for silence and listened, peering intently into the valley below. That was all; there were no more explosions. The official quickly turned back to the duties of a man which he now was confident the three explosions had not blown out from under him.

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THE TREND

Who Wants a Police State?

You may find it hard to believe that the U. S. is being pictured as a nation moving toward a police state. And equally hard to swallow is the claim that creation of such a state is what U. S. businessmen want. Sounds fantastic, doesn't it?

But we read an article with that theme in a recent issue of the Moscow newspaper Pravda. We admit that we were attracted to the article because it mentioned Business Week by name. But we believe the Pravda piece should be of interest to everyone in business. So we quote at length from it:

"Recent decisions of the American Congress on appropriation of colossal funds for 'military needs' were, as might be expected, met with exultation on Wall Street. The bourgeois press of United States compares them in significance to the 'Marshall Plan' which, according to the acknowledgement of the organ of American banking circles, Business Week, 'forms as much a part of the American military program as appropriations for the army or military aviation' . . .

"The ruling circles of United States do not even think it necessary to conceal that they intend to shift to the shoulders of the working people the whole burden of the new extraordinary state expenditures designed to protract the onset of the crisis. Thus, in the report of the President's Economic Council for the first quarter of 1948, it is stated that:

"In view of the increase of military expenditures in the United States, the mass of the American people must temporarily give up their postwar dreams for a higher standard, or moderate them . . . Every citizen must understand that the further use of productive efforts to meet military needs inevitably entails certain sacrifices in civil consumption. This is our special variation of the old alternative—guns or butter."

"One can only be grateful to the President's advisers for the astonishing frankness with which they accept into the arsenal of American propaganda this old slogan of the Fascist scoundrel Goering. But he who says 'A' must also say 'B.' And so following this clinking statement of the President's Economic Council, the political agents of Wall Street began in an extremely active fashion to work out a practical program of action corresponding to this slogan.

"In this connection the program statement, dealing with methods of reconstructing American economy applicable to the slogan 'Guns instead of butter,' that appeared recently on the pages of the same Business Week cannot be ignored. This statement appeared under a strange title: 'Economic Consequences of a Third World War.' At first glance it may appear that Business Week had given into the current vogue of fantastic novels about the future war, although generally speaking phantasy is not an attribute of the profoundly prosaic nature of this journal of American 'business circles.' Closer acquaintance with the statement of Business Week shows that the talk about a third world war and its possible consequences was necessary to the editors of the journal for a definite purpose—give grounds for the unprecedented attack on the elemental rights of working people, which already has been launched in the United States . . .

"Business Week begins to suggest to its readers all kinds of misfortunes supposed to be threatening United States. This is obviously done in an effort to convince the readers of the necessity to renounce democratic freedoms, to be reconciled with the necessity of establishing in the United States a regime of police dictatorship and to consent to further worsening of the economic position of working people . . .

"One has to give justice to the editors of Business Week. They drew for themselves all the conclusions from the official recognition of the Nazi slogan 'Guns instead of butter,' as a program of action for the United States! But for what reason have they released such frankness now, knowing perfectly well that no kind

of war threatens the United States from any side? Right here we approach the central idea of the program statement of the agents of Wall Street . . .

The program of Draconian limitations of the elemental rights of working peoples of the United States formulated by Business Week by no means relates to the distant future. They want to carry out this program now without delay. Since this is what the interests of Wall Street demand, who with merchant-like scope are casting right and left their powder-smelling chips in a reckless political gamble."

How easy it is to twist the meaning of words! Business Week attempted to forecast the kind of controlled economy which would have to be imposed to make the U. S. capable of fighting a third World War. Pravda then interprets the forecast as a veiled advocacy of a police state. Pravda further deduces that it is a new capitalistic effort to impose a further burden on the working classes.

Who really wants a police state? Not the businessmen of this country, certainly. No, nor do the working men or their trade unions want a police state.

What we want here is freedom. Businessmen want free enterprise, not a government-controlled or -dictated economy. The workers want free labor, not slave labor. And, as far as world conditions will permit, that is what we have. We have as much freedom of enterprise as businessmen of any nation we know about—if not more. We have as much freedom of labor as workers of any nation we know about.

And, to protect those freedoms, America is willing to put itself in harness at any time. Businessmen will grumble a bit if they have taxes boosted and are to be told what to produce and when. Laborers will complain, too, if their taxes are hiked and they are told where to work and when. Each group insists though that those are sacrifices they will make willingly on a temporary basis. They will want to get out from under those restraints as quickly as possible, of course, whenever danger has passed.

What is the danger we see ahead? Is it something that is hard to see? Is it something that only a few people conjure up in their minds? Or is it apparently a common danger? For the benefit of Y. Zhukov, the political commentator who wrote the Pravda articles, we will answer those questions.

The danger we see ahead is a possible war with Russia. We made no bones about naming Zhukov's country as the potential U. S. opponent in our article. We never would have written the article had it not been for the aggressive, near-belligerent steps taken by the Soviets. It is the steady lengthening of the Soviet tentacles over the continent of Europe which raises the threat of war. That threat of war carries with it the threat of a world police state. It would be a state in which the basic freedoms of management, workers, and everybody would be stifled. That has been the experience in Russia, as we see it. That has not been the experience in the U. S., Mr. Zhukov, and we hope it never will be.

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